

Paris Says Dollar Is Too Low

Citing 'Threat,'
Balladur Seeks
A Stronger EMS

Compiled by Our Staff From Dispatches
PARIS — Describing the dollar's decline as an "economic threat" to Europe, Finance Minister Edouard Balladur of France called Sunday for a rapid strengthening of the European Monetary System.

Addressing a forum on European unity, the French minister asserted that the U.S. currency was "obviously undervalued" and that its drop was "equivalent to American protectionism."

One measure that would bolster the EMS, a mechanism of fixed exchange rates linking eight currencies, is the adherence of "all currencies able to take part," Mr. Balladur said.

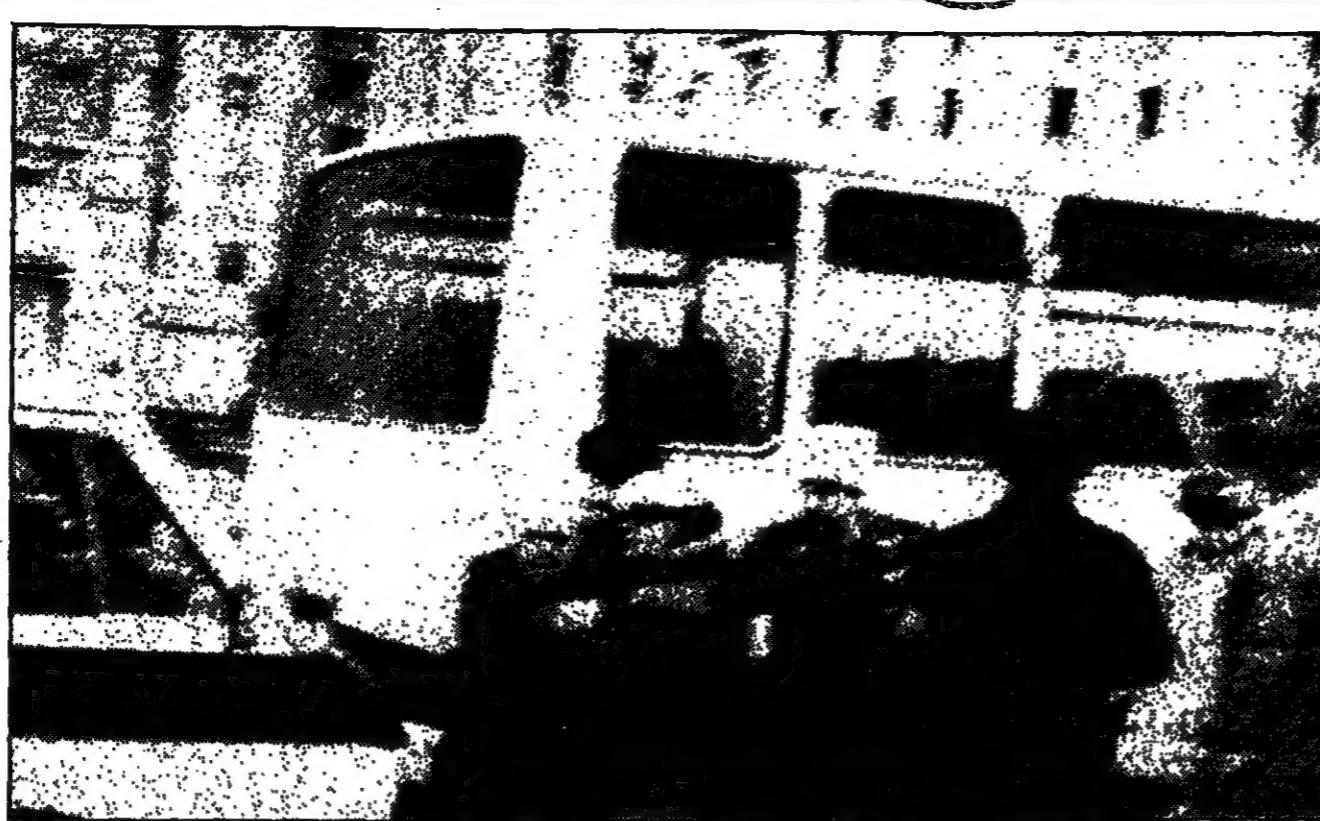
Of the 12 nations in the European Community, Britain is the most notable nonparticipant in the EMS's exchange-rate mechanism. The absence of the pound is seen as hindering the system's ability to control fluctuations.

In Basel, Switzerland, meanwhile, central bankers from the leading Western industrial nations were gathering for a monthly meeting of the Bank for International Settlements. The bankers are expected to discuss the effects of the dollar's decline as well as the risks of a global recession following the collapse of stock markets.

Mr. Balladur said the U.S. currency represented an "economic and commercial threat" to Europe because the dollar's weakness enhances the competitiveness of newly industrialized Asian countries, whose currencies "are all directly or indirectly pegged to the dollar."

He said that European countries must take all possible steps to avoid

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Peter Arnett of Cable News Network is led away by agents and a militiaman during a demonstration Sunday in Moscow.

Moscow Emigration Protest Is Broken Up

By Celestine Bohlen
Washington Post Service

MOSCOW — A demonstration in front of the Foreign Ministry to protest Soviet emigration policy was broken up Sunday when bands of security men carrying signs calling for peace and mutual understanding showed *refusenik* protesters and Western journalists, in some cases disconnecting television equipment.

Peter Arnett, a correspondent for the Atlanta-based Cable News Network, was dragged from a park at Smolensky Square and taken to a police station, where he was held for four hours. Members of his crew said their microphones cables had been yanked loose twice, and a producer for CBS said the power cable on their camera was detached several times.

Employing a tactic used at other

human rights demonstrations, the authorities overwhelmed the unofficial protest with a hastily arranged "peace" rally in support of the Kremlin's disarmament policies and the summit meeting in Washington.

The crowd of "peace" demonstrators was heavily dominated by groups of young men, assumed to be plainclothesmen, who paid little attention to the oratory booming from a platform truck and focused instead on challenging the handful of protesters, whom they called "provocateurs" and "traitors" trying to "spoil the summit."

Scenes from the protest were shown later on Soviet television, and a commentator said the protesters had put their personal interests ahead of the country's.

The *refusenik*'s demonstration

was illegal since organizers did not apply for permission.

The *refusenik*s who were able to arrive before the "peace" rally were quickly drowned out by the counterdemonstration, organized by the Soviet Peace Committee.

Five busesloads of official demonstrators arrived at the park, including an estimated 200 security men in plainclothes, who mingled in the

crowd and wore placards calling for "Peace," "A Nuclear-Free World" and "U.S.-Soviet Talks."

Several of the men were identified by participants as undercover officers who have broken up other Moscow demonstrations. They moved to break up any gathering by the *refusenik*s, forming a cordon around the group and silently jostling the protesters.

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U.S. Hopes Summit Will Move Beyond INF

By Lou Cannon
and Don Oberdorfer
Washington Post Service

WASHINGTON — Administration officials said Sunday that the summit meeting this week between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev, could create momentum for an agreement on deep cuts in strategic nuclear arsenals and toward resolving the war in Afghanistan and other issues.

U.S. officials are particularly optimistic about the possibility that the three days of talks will produce progress toward a strategic treaty that Mr. Reagan and Mr. Gorbachev have said they would like to sign in Moscow next year. They emphasized, however, that such an agreement was not assured.

The two leaders are scheduled to sign a treaty limiting intermediate nuclear forces Tuesday, the first day of their summit meeting.

One official said the object was "to settle as much as you can and simplify things so that the two leaders can issue instructions to negotiators, so that you can get a treaty in the first half of 1988."

The White House chief of staff, Howard H. Baker Jr., said in an interview that it was "conceivable, although it would be difficult" that a strategic arms treaty could be completed in time to gain Senate ratification next year despite the political obstacles that any accord is likely to face in a presidential election year.

Secretary of State George P. Shultz said in a separate interview that the United States would push for further progress on its broad agenda of human rights, arms control, regional issues and bilateral accords if the Washington summit meeting ends on a positive note.

Reductions in conventional forces, much more than cuts in nuclear weapons, could bring economically important savings in the military budgets of the superpowers and their allies alike.

If the Soviet Union should actually withdraw its troops from Afghanistan, as it is increasingly indicating, it will likely bring extensive improvements in Soviet relationships with the Islamic world, according to Michael H. Armacost, the U.S. undersecretary of state for political affairs.

Along with a resolution of the war in Cambodia, as it is increasingly indicated, it would likely bring extensive improvements in Soviet relationships with China and other powers of the increasingly important region of East Asia, Mr. Armacost said.

Whether the summit meeting de-

velopment in U.S.-Soviet relations could bring political realignments, especially to the disadvantage of the conservative Republican constituency that until now has been Mr. Reagan's most committed and loyal base of support.

Deep cuts in U.S. and Soviet strategic nuclear arsenals could give Washington and Moscow greater leverage to oppose the acquisition of atomic weapons by other nations.

Such cuts could also provide a solid basis for the talks on reductions in conventional forces from the Atlantic to the Urals that are expected to begin between the North Atlantic Treaty Organization and the Warsaw Pact nations next spring or summer.

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Kissinger on Gorbachev: No Risks

On the eve of the Washington summit, Henry A. Kissinger, the former U.S. secretary of state, discussed the meeting's likely outcome and its international implications with the International Herald Tribune's political correspondent, Joseph Fitchett.

Q: What results do you expect from the summit?

A: INF [the intermediate-range nuclear forces treaty] is done, although its exact terms have not yet been made public, and I expect that they will make very big progress toward 50 percent reductions in strategic weapons. This will include a framework agreement on the Strategic Defense Initiative, so that President Reagan doesn't have to give it up, but will in effect postpone it for a long time.

Q: Are you implying a risk that SDI could be snared by Soviet disarmament diplomacy at the summit?

A: It's already snared in my view. They will agree to extend the ABM treaty, and Gorbachev will make a unilateral statement assuring the narrow interpretation of the Anti-Ballistic Missile treaty. He will

also try to make the strategic cuts hostage to that doctrine on ABM, increasing the pressure in Congress in that direction. The effect of a 10-year moratorium on real testing is that you won't have anything to deploy after that time. So President Reagan

MONDAY Q&A

can abandon SDI or at least postpone it for a long time, without formally giving it up.

Q: You've said elsewhere that previous Soviet leaders rarely seemed to be allowed to negotiate alone with U.S. counterparts. Now it seems to be the other way around, and Mr. Gorbachev apparently relishes springing initiatives. How does he operate as a negotiator?

A: He's much different from any Russian I've ever known. I haven't negotiated with him but clearly he's clever and he's tough and he's still pursuing the aim of getting a number of years to concentrate on domestic affairs. I do not believe he started out in order to weaken the Western alliance, I believe he started out to try to find out what price he had to pay to get five

years. To his amazement, he found that he can get benefits while he is gaining time. I don't blame him for that. From a posture initially designed to gain time, he has now found a mechanism by which he can weaken the Atlantic alliance, or weaken it, mainly by disarmament diplomacy. That certainly strengthens his position vis-a-vis the military and the secret police, whom he needs to support him against the managers and the Communist Party, which is more committed to central planning.

Q: Is there any step Mr. Gorbachev might take at the summit that proved politically disastrous for him?

A: There's no risk of any for him.

Q: It will help him at home. The only thing

that could cause trouble for him domestically would be if he did something major in political relations, like cutting aid to Nicaragua, and I don't expect him to do that.

Q: Do you think that the treaty to be signed at the summit is a step toward U.S. disengagement from Europe?

A: President Reagan believes he is

strengthening the position of free countries by signing this treaty and he would not

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Mention Russia, and the U.S. Heartland No Longer Sees Red

By Haynes Johnson
and Claire Robertson
Washington Post Service

MASON CITY, Iowa — Bruce Weaver knows the type and with good reason: He's one himself.

"Definitely a salesman," he pronounced, after intensely watching Mikhail S. Gorbachev's hourlong interview on NBC last week. "That's a career I'm in and he remained me extremely well of the president of the company I work for. This guy's a salesman. He could take on the questions, disagreements of whatever you want to call them, turn them back into a positive and really convince us they were doing the right things. Definitely a salesman."

The metaphor of traveling salesman is apt for the Soviet leader, who arrives in Washington on Monday for a summit meeting with President Ronald Reagan.

People in the north-central cash grain area of Iowa, as residents proudly call it, and those surveyed in national opinion polls, overwhelmingly view Mr. Gorbachev as also alarmed by the refusal of Saudi Arabia, the world's largest oil exporter, to resume the role of market stabilizer, cutting its production to support oil prices.

This stand has repeatedly been expressed in the past few weeks by King Fahd and his oil minister, Hisham Nazer. Mr. Nazer has warned that Saudi Arabia will see oil prices fall, rather than lose its market share.

"It is a difficult situation, especially if some members insist on irrational behavior," a senior Arab official in the Gulf, who will be a key decision-maker at the OPEC meeting, said Saturday. The official asked not to be identified.

Kuwait's oil minister, Sheikh Ali al-Khalifa as-Sabah, warned in a recent interview that he does not exclude the possibility of a collapse similar to the one that brought oil prices down to as low as \$3 a barrel last year.

"The only good thing that can be said about OPEC's dilemma now is that adversity has always been its best ally," said Pierre Terzian, a Paris-based oil analyst and editor of *Petrostrategies*, an oil trade newsletter.

"Whenever they are staring at catastrophe, and they are doing so right now, they seem to find the political will to do something about it," he said.

"I think they will find some agreement," Mr. Terzian added. "The question is, what kind of an agreement? Will it be enough to prevent the fall?"

This may be harder to fathom because of the growing Saudi-Iranian animosity.

chev's trip positively. Yet they approach what's selling with a certain caution.

Such American ambivalence toward the Soviet Union is not new. It is a product of suspicion and fear born of bitter experience over many generations.

What does seem new, almost startlingly so when measured against the anti-Communist rhetoric stirring in some Washington political circles, is the way old fears and passions about Communism and the Soviet Union have receded in the traditionally conservative American heartland. They have been replaced, most notably, by fear of other "isms" from abroad: radicalism and terrorism.

"I look forward to Gorbachev's visit as being a positive rather than a negative," said Rich Dean, 59, who works the farm his great-grandfather purchased outside Mason City in 1883. But Mr. Dean expressed a typical cautionary note. "That Communist religion does not change overnight," he said, "not in one decade, or in two decades."

A significant change in American attitudes toward the Soviet Union has occurred.

In a series of interviews that coincided with a Washington Post-ABC News poll on the subject, residents of Mason City, population 32,000, expressed their feelings about American-Soviet relations.

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— Thomas Jolas, Iowa lawyer

—

Two themes emerged from the conversations. Both stem from American perceptions of changing world conditions adversely affecting the United States and the Soviet Union.

First is a matter of practical economic self-interest.

We're in trouble economically and so are they, people in Mason City say repeatedly. We're in a global economy, and so are they. We need trade, so do they. We need to reduce spending on armaments in order to resolve other problems, and so do they. We experienced embittered defeat against inferior peasant forces in Vietnam, as it seems they are in Afghanistan. Thus, conditions appear ripe for a new start between old adversaries. Let's do that.

I have never been opposed to doing business with them, particularly in the area of agriculture," said County Treasurer Michael Gaudin, 45. "If it's good for agriculture, it's good for Iowa. If it's good for Iowa, it's good for me. So those are somewhat selfish motives on my part. I don't confuse doing

business with trusting them philosophically."

Second, and by far the most striking in its implications for U.S.-Soviet relations, is the belief that the threat of Communism has been supplanted by fears of radicalism, causing senseless, indiscriminate killings and terror of the kind commonplace in the Middle East.

There's a different force at work in the world today, and that force is radicalism," said Thomas E. Jolas, an attorney, whose view was typical. "It bothers people a lot more than the threat of Communism. The Russians are not as radical as the radicals we see; they're a pretty good decent friend, really. The extremists, you see, are the people you have to fear more. They have no conscience. They're zealots. And, wow, we've not seen that in a long time.

"I'm talking about people like Khomeini and terrorism. It's a whole different type of political concept, very fearful, very disrupt-

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Japan Educators Build A Little Tokyo-sur-Seine

By Charles D. Sherman
International Herald Tribune

PARIS — As the school athletic class begins, 25 girls in white sports kimono bow sharply in unison to their judo instructor. The room is decorated with children's paintings, blood-colored sunsets and misty views of Japan's Inland Sea.

Inside the surrounding classrooms more students apply themselves to a standard curriculum prescribed in Tokyo by Japan's Ministry of Education. Outside the school the Seine wanders out of Paris toward the English Channel.

Welcome to the Franco-Japanese Cultural Institute, a junior high school, which beyond its location on the banks of the Seine in the Paris suburb of Suresnes, has almost nothing Franco about it. Welcome, that is, if you are Japanese.

The school, established in 1973 and funded almost totally by the Japanese government, is known officially to the Japanese as the Nihonjin Gakko, or Japan Peoples' School. The name Institut Culturel Franco-Japonais is the school's designation under French law.

While hundreds of Japanese children attend French or international schools in Paris, the Japanese school's bylaws bar non-Japanese.

The Paris Nihonjin Gakko, with 400 students enrolled

EC, After Summit Failure, Warned of Last Chance

Reuters

PARIS — Jacques Delors, president of the EC Commission, said Sunday that the European Community summit conference in Copenhagen had not been a complete failure but that an emergency meeting scheduled for February might be the last chance to overhaul the community's finances.

"In the modern world, Europe has to rely on itself," he said, calling for imaginative action by member governments to promote growth and closer monetary union in the 12-nation community.

The Copenhagen meeting ended in disagreement over the budget, especially over how soaring farm spending should be curtailed.

Mr. Delors warned that when European leaders met in Brussels in February they would have "a second, and perhaps last, chance" to come to terms with the issues.

He said future summit meetings should concentrate on the broad sweep of community and world affairs, and not become mired in technical details of policy.

"It is like a large car with a small moped engine inside it," he said at a Paris symposium on European unity. "Europe is on the move, but it is not going fast enough."

Former President Valéry Giscard d'Estaing of France, who organized the symposium, said that while the result of the Copenhagen meeting "should not lead to discouragement," it "sends out a signal of European impotence."

■ 1992 Efforts Damaged

Earlier, James M. Markham of The New York Times reported from Copenhagen:

The leaders' inability to agree by Saturday night on changes to ease the community's transition to a frontier-free trading bloc by 1992 was a blow to efforts to knit together a credible West European political and economic entity.

The failure of the two-day session was especially painful because it came on the eve of a superpower



Jacques Delors, left, and Prime Minister Poul Schluter of Denmark at the closing EC news conference in Copenhagen.

summit meeting in Washington and at a time of deep uncertainty about the course of the world economy.

"What we see is the image of a Europe that is absent while others will decide the future of the world," declared President François Mitterrand of France, alluding to the U.S.-Soviet talks this week. "The year 1992 is tomorrow."

Prime Minister Margaret Thatcher of Britain and Chancellor Helmut Kohl of West Germany had portrayed the Copenhagen talks as a make-or-break milestone for the community, which will face a \$6 billion gap in resources next year if there are no measures to cut the agricultural subsidies that absorb 70 percent of its budget. The leaders also failed

to agree on ways to raise new revenues and rechannel others to Britain and Mediterranean member nations.

"A fudged agreement would have been the worst possible result," Mrs. Thatcher said.

She said it had been a big step forward that there was now "agreement not whether we should get spending under control but how."

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week in Washington by President Ronald Reagan and Mikhail S. Gorbachev was a "milestone."

Mrs. Thatcher, who will meet with the Soviet leader on Monday when he makes a brief stop on his way to Washington, had been eager for the strong EC endorsement of the missile accord in light of mounting criticism of it by U.S. conservatives.

The statement on Afghanistan urged a Soviet withdrawal from that country by 1988 and the establishment of an independent transitional government.

The longer the journey, the more pleasurable its interludes should be.

Even though Singapore Changi Airport offers you some of the fastest and most convenient connections in Asia, we know any transit stop costs you time. We therefore go out of our way to make your stay here as pleasurable and as useful as possible. By offering you the choice of over 40 shops to buy a wide range of items — from souvenirs to jewellery, from cameras to candies at bargain prices. Or 9 restaurants serving delicacies to please every palate. Or a business centre, a nursery, and day rooms (6-hour rates). Of course we also balance the pressures and hectic pace of jet-age travel with cool, calm and courteous efficiency to help you get on with your journey. That's how we treat all our 10 million visitors a year. After all, according to the Business Traveller Magazine, we're the best airport in Asia.

CAAS

Civil Aviation Authority of Singapore

SINGAPORE CHANGI AIRPORT
THE AIR TRAVELLER'S HAVEN

Waldheim May Have to Quit, Vienna Mayor Hints

Reuters

VIENNA — Mayor Helmut Zilk said Sunday that Kurt Waldheim might not have the final word on remaining president of Austria if the international commission checking his war record were to cast doubt on his integrity.

"Waldheim must have the final word on the results, but that does not mean he will have the last," Mr. Zilk told a television interviewer.

He was the first leading politician in Austria to imply that Mr. Waldheim could be forced to resign.

Mr. Zilk, a prominent Socialist who is seen as a possible successor to Mr. Waldheim, said a president should consider resignation if his moral competence is called into question to a degree that casts doubt on his competence as president.

"If he has grounds to resign, then I expect the president to see the problems himself," Mr. Zilk said. After the commission makes its report and Mr. Waldheim decides what action to take, "we must sit down together and take the discussion from there," he said.

Asked if the resignation question would depend solely on Mr. Waldheim, Mr. Zilk said he believed not. He did not spell out how Mr. Waldheim might be removed from the presidency if he wished to remain.

The Chicago Sun-Times newspaper said Sunday that Foreign Minister Alois Mock, until now a staunch backer of Mr. Waldheim, told U.S. and British officials that his conservative Austrian People's Party would force the president's resignation by withdrawing support from him after the commission report is published.

■ U.S. Documentation

Ralph Blumenthal of The New York Times reported earlier:

The Justice Department has told the panel investigating charges against Mr. Waldheim that it barred him from the United States because it found sufficient evidence to implicate him "personally" in wartime persecutions, according to those who have seen the material.

Recent reports from Vienna have suggested that the panel is undertaking a more comprehensive inquiry than some in Mr. Waldheim's party had expected.

Mr. Waldheim has consistently denied any involvement in killings and deportations of Jews and other civilians.

The commission had asked the Justice Department for documentation backing up its decision in April to put Mr. Waldheim on the "watch list" of foreigners barred from entry into the United States.

The department's investigation unit would not provide the documentation, but replied to the American member of the panel, Brigadier General James Lawton Collins, in part as follows:

"It has been suggested that the U.S. action resulted from the fact that Kurt Waldheim was in the area where crimes and acts of persecution took place and that mere proximity to such activities warranted a watch list decision. That simply is not the case and we have never so represented."

"On the contrary, the findings are that there is sufficient evidence to implicate Mr. Waldheim personally and in conjunction with the small functional units to which he was attached and in acts which clearly constitute persecution under established legal precedent."

General Collins said the panel already had most of the material available to the Justice Department, but he said he was barred from discussing the deliberations.

Ship Catches Fire, 23 Seamen Die in Icy Seas Off Spain

The Associated Press

LA CORUNA, Spain — Twenty-three seamen died after fire broke out on a freighter off northwestern Spain and the crew jumped into rough and icy seas, coast guard officials reported.

They said most of the victims from the ship, the Cason, apparently died of exposure. The officials said the crew of 31 included 29 Chinese citizens and two residents of Hong Kong.

Eight survivors were rescued by coast guard and navy helicopters and by ships in the vicinity, 23 miles (37 kilometers) off Cape Finisterre. Storms and high seas hampered rescue efforts.

Survivors said the fire occurred after an explosion and spread rapidly. One crewman said he believed the ship was transporting chemical products.

A spokesman for Lloyd's Shipping Intelligence in London said the 9,200-ton Cason is owned by a Hong Kong-based company and was bound for China from Rotterdam.

WORLD BRIEFS

Troops Leaving Angola, Pretoria Says

PRETORIA (Reuters) — South Africa said that it has begun pulling its troops out of Angola, where they have been supporting rebels in a civil war against Soviet- and Cuban-backed government forces.

South Africa's army chief, General Janne Geldenhuys, said Sunday in a statement that no details of the withdrawal would be given because "care is being taken to ensure that the safety of our soldiers is not jeopardized." Last month, South Africa rejected a demand by the United Nations Security Council that it pull its troops out of Angola.

General Geldenhuys said South Africa had always been willing to pull out if an estimated 35,000 Cuban troops also left the country or if South Africa's "interests had been secured."

He said that the troops were leaving after "the successful completion of certain tasks in the interests of South Africa and South-West Africa/Namibia." Namibia, which borders on southern Angola, is ruled indirectly by South Africa.

Speaking on the Tehran radio in a broadcast monitored on Cyprus, Mr. Moussavi said Iran was willing to have equal relations with all but "a few" countries. France and Iran broke relations in July but swapped captive embassy officials recently to end a five-month diplomatic crisis.

"Regarding France, we are more optimistic than before that this crisis would continue," he said, adding that the future depended on France's attitude. He did not specify what Iran wanted France to do, but Gholam Ali Musavi Ardebili said on Friday that he hoped France would end its warships from the Gulf.

Iranian Optimistic on Ties to France

NICOSIA (Reuters) — Prime Minister Mir Hussein Moussavi of Iran expressed optimism on Sunday that Tehran's relations with France would improve, but he said this depended on the attitude of officials in Paris.

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"Regarding France, we are more optimistic than before that this crisis would continue," he said, adding that the future depended on France's attitude. He did not specify what Iran wanted France to do, but Gholam Ali Musavi Ardebili said on Friday that he hoped France would end its warships from the Gulf.

Buthelezi Hardens Position on Talks

JOHANNESBURG (AP) — Chief Mangosuthu Buthelezi, leader of the Zulus and one of the South Africa's most powerful black moderates, called Sunday on the white-led government to drop its contention that the country's millions of blacks are divided into tribal minorities.

Chief Buthelezi had said in the past he would not take part in a proposed national advisory council until Nelson Mandela, the black nationalist leader, and other prominent political prisoners were freed from prison. But in a statement Sunday, the chief toughened his demands, saying it would be "suicidal" for him to enter negotiations as long as the government "refused to deal with the reality of a black majority."

Afghan Rebel in Bid to End Conflict

PESHAWAR, Pakistan (AP) — A leader of an anti-communist Muslim rebel group has offered a plan for the withdrawal of Soviet troops from Afghanistan, including their free passage and amnesty to supporters of the Kabul government.

Gulbuddin Hekmatyar, leader of the Hezb-i Islami, said Saturday the first stage should be establishment of an impartial government acceptable to all guerrilla groups, which would supervise the withdrawal of the Soviet forces. He did not spell out the type of government he rejected Kabul's offer of a coalition government under former King Mohammed Zahir Shah. In June, the exiled king also rejected the offer.

Once a government is installed, the Soviet forces would "leave their positions and come to a few specified bases" from where the withdrawal would be orchestrated, Mr. Hekmatyar said. He said the Soviet troops would be "guaranteed free passage and a general amnesty would be given to all supporters of the Soviets who are remorseful of their past actions."

Alfonso Sees Shift in U.S. Latin Policy

Buenos Aires (AP) — President Raúl Alfonsín described Argentina's relations with the United States as mature and said that Washington no longer believes that U.S. security in Latin America depends on authoritarian rulers.

But Mr. Alfonsín criticized U.S. support for Nicaraguan rebels and said that the U.S. position is "highly inconvenient for the search for peace" in Central America.

Mr. Alfonsín said Saturday at a press conference that U.S. attitudes toward Latin America had changed. The United States, he said, "had demonstrated its willingness to support the democracies."

For the Record

The body of a Syrian soldier, shot eight times, was found Sunday West Beirut, the police said. Syrian troops have come under repeated attack since Damascus sent 7,000 soldiers into West Beirut last February to quell violence.

Gummes in Colombia killed Rafael Cardona Salazar, who was considered a key member of the drug ring that refines and ships most of the cocaine consumed in the United States, police in Bogotá said.

TRAVEL UPDATE

West European Air Fares May Drop

BRUSSELS (Reuters) — Western Europe's high air fares may fall early next year if European Community officials will approve Monday of a landmark European Community deal on airline competition.

Settlement of an British-Spanish dispute over Gibraltar's airport is Thursday, officials said, meant there were no more impediments to formal adoption by community transport ministers of fare-cut measures at a meeting in Brussels. They are expected to set a starting date for cuts.

The measures will cut national government power to restrict competition between scheduled airlines. This is expected to give carriers greater freedom to fix prices and expand their share of business on routes shared with rivals. Smaller airlines will be allowed to compete with established carriers on the busiest routes, and open up new services as well.

Alitalia and ATI canceled 75 flights scheduled for Monday, Tuesday and Wednesday and warned of the possibility of other travel disruptions resulting from surprise walkouts. The move followed a 24-hour strike by ground personnel at Italian airports that caused cancellation or delay of most international and domestic flights Sunday.

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Ivory Coast, Thailand, Venezuela.

TUESDAY: Andorra, Argentina, Austria, Brazil, Chile, Colombia, Costa Rica, Italy, Liechtenstein, Macao, Mexico, Nicaragua, Panama, Paraguay, Portugal, San Marino, Seychelles, Spain, Vatican City.

WEDNESDAY: Tanzania.

THURSDAY: Angola, Thailand.

SATURDAY: Kenya, Mauritania, Mexico.

SUNDAY: Malta.

Source: Morgan Guaranty Trust Co., New York.

DOONESBURY



AMERICAN TOPICS

Organic Farming Helps Slow Erosion

Experiments in southeastern Washington state show that organic farming—the use of natural fertilizers—curbs erosion, as well as saves groundwater from the toxic effects of chemical pesticides and herbicides and artificial fertilizers, according to *Nature* magazine.

Experts at Washington State University found that the topsoil on Don Lambert's farm was about 24 inches (60 centimeters) thick, or six to 10 inches thicker than the soil on the adjacent farm, which uses chemicals. Rolling hills and fine-grained soil make the area particularly prone to erosion.

The earth on the Lambert farm was found rich in organic materials, which help bind the soil and retain moisture. Crops are rotated, so that grass crops, with no erosion, are grown on land used the previous year for erosion-prone row crops.

Mr. Lambert says he has no regrets about sticking with organic farming in the chemical revolution of the 1950s. For one thing, he said, "my neighbor down the road has a \$30,000 fertilizer bill."

Former CIA Agents Assail Covert Action

A group of former Central Intelligence Agency executives, analysts and operatives has established the Association for Responsible Dissent to campaign for an end to covert action by the U.S. government. "Seven presidents since World War II have watched their administrations utterly destroyed or deeply embarrassed and the country discredited by covert action," said the group's executive director, John Stockwell, who ran covert CIA operations in the Angolan civil war in 1975.

"We are going to try to expose covert action," said Philip C. Roettinger, a former case officer who helped to overthrow President Jacobo Guzman Arellano of Guatemala in 1954. "We're going to try to get it legally banned because we can find no reason, no justification" for it.

Asked what the agency's reaction might be, Mr. Stockwell replied, "My guess is that they have been wondering for 10 years why we've been so slow in getting organized."

Would the group be dismissed as a "bunch of crackpots?" Mr. Stockwell said: "No, sir. We're distinguished citizens, doctors, lawyers and attorneys. We have medals that we earned risking our lives defending the country."

Short Takes

A man whose pit bull terrier killed a 2-year-old boy has been charged with second-degree murder in Santa Clara County, California. Alan Nudelman, a deputy district attorney, said the dog had been trained to fight and was tethered in an area "where a small child would have access to it." Murder requires a showing of malice. Manslaughter does not. Mr. Nudelman said the prosecution would argue that the actions of the dog's owner, Michael P. Berry, met the legal definition of malice in that he acted with "wanton disregard for the consequences." A local human society spokesman said that if the charges stick, Mr. Berry would become the first person in the country convicted of murder for a death caused by an animal.

Millicent Brower, a reader of *The New York Times*, is so weary of having her mail addressed "Occupant" that she has written a poem about it:

*Oh merchants, hear the humble plea
Of a lowly occupant like me:
Before my earthly years are spent,
Please! Address my mail to RESIDENT.*

Short Takes: The Ambrose Light tower off Sandy Hook, New Jersey, manned for 164 years, will be run solely by computer starting in January. Hammacher Schlemmer, the gadget emporium, is offering a ski helmet with a two-way radio for Christmas at \$449.50 and that standby for the last 25 years, the personal paper shredder, at \$229.50.

Notes About People

In an interview with U.S. News & World Report, President Ronald Reagan said of his wife, Nancy: "Knowing her and being married to her is kind of like coming into a warm fire-lit room when you've been out in the cold."

When Representative Morris K. Udall of Arizona ran for the Democratic presidential nomination in 1976, it was frequently said that he was "Too Funny to Be President," which is now the title of Mr. Udall's new book. He says he sees jokes as public property and operates according to the rule of the columnist Art Buchwald, which goes: "The first two times you use a joke, give your source credit. From then on, the hell with it! Be shameless—claim it as your own."

—ARTHUR HIGBEE



Guards leading an inmate from the federal penitentiary in Atlanta after the revolt by Cuban prisoners ended. (Associated Press)

In Cuban Riots, a Failure of U.S. Foresight

Guards in Atlanta picked up signs that trouble was brewing after inmates heard about the Oakdale uprising from television reports, but officials nevertheless concluded that the atmosphere in the Atlanta prison was normal and routine. Rioting began there on Nov. 23.

Interviews with dozens of U.S. officials, former hostages and relatives of the Cuban inmates yielded these insights into the crisis:

• Cuban inmates were almost successful in their effort to break out of the Oakdale facility when the rioting began. They were thwarted by a quick-witted immigration officer who threw gas grenades into the compound to keep inmates away from fences surrounding the detention center.

• After the rioting began at Oakdale, prison officials at Atlanta considered but rejected extra precautions to prevent an uprising there.

The government, he said, then

could have imposed restrictions on the second group and confined them to their cells or to one unit of the prison, where correctional officers could have supervised them more closely and given them special counseling.

The Cuban inmates did not achieve their principal goal: an assurance that they could remain in the United States.

But they won a moratorium on deportations, the right to parole hearings and a large measure of public attention, which had largely eluded them in more than five years of court battles.

Even after the Atlanta hostages were released on Friday, Attorney General Edwin Meese 3d and Mr. Quinlan refused to answer questions about how the riots might have been prevented. Mr. Meese said U.S. officials would discuss such questions this week as part of a general critique of the whole situation at both Oakdale and Atlanta."

Haiti Junta Is Assailed As Strike Call Spreads

By Howard W. French
New York Times Service

PORT-AU-PRINCE, Haiti — Three leading Haitian presidential candidates joined calls for a general strike beginning Monday to protest the suspension of violent national elections and one of them urged the military-dominated government to resign.

One of the candidates, Louis Dejoie 2d, urged Haitians to observe Monday as "a day of mourning and reflection" and the beginning of an unlimited national strike if a number of conditions were not met.

Mr. Dejoie joined another candidate, Sylvio C. Claude, and a major labor group in calling for the resignation of the provisional government.

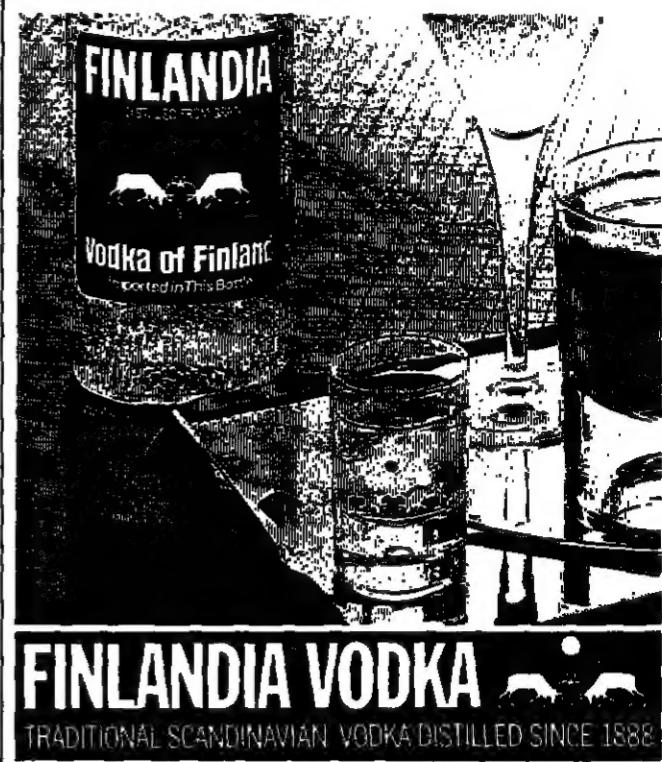
At a news conference, Mr. Dejoie said the government must reinstate the electoral council members. He suggested that once its members were reinstated they could be asked to step down in favor of new nominees from civic and religious groups.

The latest calls for a strike followed similar appeals by three important labor groups and Mr. Claude.

They increase the likelihood of confrontation between the government and political groups that have urged the reinstatement of the dissolved electoral council and an end to violence by people who are thought to operate with the collusion of the armed forces.

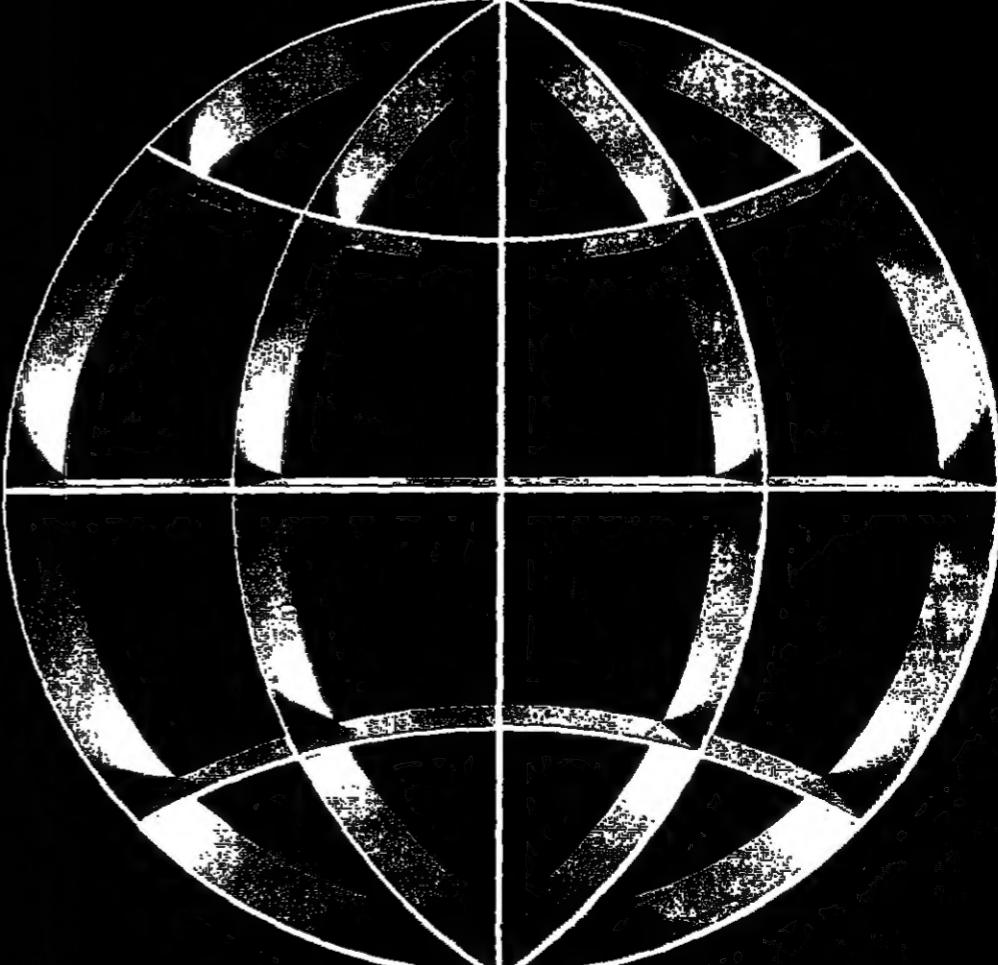
The elections were canceled Nov. 29 after at least 34 persons were killed. The council's nine members were dismissed by the government and accused of placing themselves above the law and allowing foreign influence over the elections.

At his news conference, Mr. Dejoie said the government must reinstate the electoral council members. He suggested that once its members were reinstated they could be asked to step down in favor of new nominees from civic and religious groups.



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Iran Raiders Set Tanker Afire in Gulf, Kill Sailor

By John Kifner
New York Times Service

CAIRO — Iranian gunboats raided two tankers Sunday, setting one ablaze and killing at least one crewman on the other.

The Singapore-registered tanker Norman Atlantic, loaded with potentially explosive naphtha, reported a fire out of control after it was bombarded with rocket-propelled grenades off the Oman coast as it sailed toward the Strait of Hormuz, the entrance to the Gulf.

Earlier, Iranian Revolutionary Guards on a speedboat had fired a half-dozen rocket-propelled grenades — normally used against tanks — at the Danish-registered tanker Estelle Maersk off Dubai in the United Arab Emirates. One crewman was killed and another seriously injured.

Meanwhile, Iraq admitted that it had bombed an island belonging to Saudi Arabia, its supporter, by mistake.

The Iraqi air force commander, Air Marshal Hamed Shabani, issued a public apology to "our dear brothers in Saudi Arabia."

"A bomb was dropped from one of our airplanes due to a navigational mistake and fell on Saudi Arabian island at 1:29 P.M. while Iraqi warplanes were carrying out their duty over the Arab Gulf on Friday," his statement said.

The Saudi Arabian island lies about 25 miles (40 kilometers) south of Iran's Farsi Island, where Revolutionary Guards have a speedboat base.

The official Saudi Arabian press agency said that Baghdad and Riyadh had discussed the incident and "both countries consider the matter closed."

Saudi Arabia denied that any of its soldiers had been killed in the accidental bombing.

The Iranian gunboats attacked following two Iraqi attacks last week on ships carrying Iranian oil on the eastern side of the Gulf.

The attack on the Danish ship, carrying a full load of Saudi crude, came early in the morning.

A rescue helicopter crashed while landing on the vessel to evacuate the wounded. One of the injured sailors, who had lost a leg, died because he could not be evacuated swiftly enough by launch.

There were fears that the Norman Atlantic, which had loaded its cargo in Kuwait, might blow up. Omani coast guard launches took the crew off the ship, which was listing heavily to starboard, and salvage tugs were heading toward the vessel.

Peru Reports Flood Deaths

United Press International

LIMA — Floods and a mud slide, caused by torrential rains, have partially destroyed the town of San Juan Ubiriki, a port on the Perene River at the edge of the Amazon basin in central Peru, with at least 60 people dead or missing there and in neighboring villages, the police said Sunday.



The tanker Norman Atlantic after it was attacked Sunday by an Iranian gunboat in the Gulf.

SUMMIT: U.S. Looks Beyond INF

(Continued from Page 1)

velops the momentum foreseen by some administration officials is likely to depend on what happens in the hours of scheduled talks. About a third of this time is expected to be spent in private conversation between Mr. Reagan and Mr. Gorbachev.

"There are sure to be some surprises," said one official, harking back to the unexpected developments at the Reykjavik meeting in October 1986. "Gorbachev and other Soviet officials have come to every high-level meeting with proposals that have gone well beyond their previous positions."

Mr. Reagan is prepared to deal seriously with any Gorbachev proposal and is also prepared to press the Soviet leader on regional and human rights issues, officials said.

"The president believes he can talk to this Soviet leader," said a White House official. "He feels they have a relationship."

The administration has clashed in recent days with Republican conservatives who were angered by Mr. Reagan's attempt to make the treaty on medium-range and shorter-range missiles a test of personal and party loyalty.

Mr. Reagan last week described those who oppose the treaty as "ignorant" and said it reflects the view of those who "basically down in their deepest thoughts have accepted that war is inevitable."

Both Mr. Shultz and Mr. Baker said in television appearances Sunday that the president's remarks were not directed at Bob Dole, Republican of Kansas and the Senate minority leader, who has said the treaty should be examined carefully.

But Mr. Baker said it also was the president's hope that the treaty would be approved without "amendments or reservations" that would require going back to the Soviet Union for agreement.

Privately, some senior officials say they expect the tension within the Republican Party to be particularly severe within the next few months as Republicans who were angered by Mr. Reagan's attempt to make the treaty on medium-range and shorter-range missiles a test of personal and party loyalty.

Mr. Reagan praised the Soviet leader for taking "some limited but positive steps" on human rights issues. But, he added: "They are far from enough."

Earthquake in Western Iran

Reuters

LONDON — An earthquake measuring 4.5 on the open-ended Richter scale struck the towns of Aligudarz and Doroud in western Iran, the Iranian news agency IRNA said in a report monitored in London.

Mr. Baker said it was the president's hope that the treaty would be approved without "amendments or reservations" that would require going back to the Soviet Union for agreement.

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KISSINGER: No Risk for Soviets

(Continued from Page 1)

knowingly abandon Europe. But the treaty is a matter vital to European security negotiated without Europe's participation, a circumstance due in part to Europe's abdication from its own defense. In the next phase, two steps are required: a trans-Atlantic agreement on the elements of defense and a trans-Atlantic agreement on the content of the next arms control stages. Europe should organize itself for that dialogue rapidly.

Q: Will the treaty amplify calls in the United States to bring home troops from Europe?

A: After this agreement in the nuclear field any reduction of conventional forces by the United States would be politically disastrous and must be resisted by any American who believes in the Atlantic alliance.

Q: What would be the optimal outcome of the Washington summit for the West?

A: A positive outcome would be if it emerged clearly that there are objective causes for tension with the Soviet Union, that there are political problems that require resolution and that the disarmament process cannot, by itself, go beyond a certain point.

So I would think, paradoxically, a relatively sober and not euphoric outcome of the summit should evoke more hope than one that pretends that a phase of history has ended.

Q: What outcome would worry you most?

A: A renewed commitment to the elimination of all nuclear weapons. This, I believe, is impossible to fulfill and undesirable. It plays into the hands of those who want to stigmatize the weapons on which the defense of the West must be based for the foreseeable future. Another unfortunate outcome would be any agreement that implied a doubt about nuclear capabilities in Western Europe, such as [occurred in the negotiations] at Reykjavik.

Q: Do you think that Mr. Gorbachev will press the spectacular disarmament proposals he made at the Reykjavik summit in 1986?

A: What he tried to get from us at Reykjavik, he's trying to get in Washington. And he's making progress.

Lewis Raises \$32 Million During French Telethon

The Associated Press

PARIS — The comedian Jerry Lewis, bringing his muscular dystrophy telethon to France for the first time, brought in more than \$32 million in pledges to fight the disease, organizers said Sunday.

Antenne 2, a government-run station, gave about six hours of air time for the telethon. Mr. Lewis had the help of French stars as well as about 8,000 volunteers who kept track of telephoned pledges.

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QUALIFIED EDITORIAL ASSISTANT	InSEAD.	
VP INT'L PERSONNEL	Attractive	Fortune 200 consumer products company.

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In China, New Suits Suit the New Policies

By Edward A. Gargan
New York Times Service

BEIJING — Mao was a customer. So was Zhou Enlai. Deng Xiaoping is one now, as are the Communist Party chief, Zhao Ziyang, and the rest of China's inner circle.

Tian Atong, tailor to the mighty, slipped from an envelope a glossy color photograph — a portrait of the five-member Standing Committee of the Communist Party's Politburo. He trailed a finger across the print.

"I did these," he said. "I did each of these suits."

In the middle of the group, a trim Mr. Zhao was the clear fashion plate in a subtle two-button double-breasted blue pinstripe.

"Not bad, eh?" Mr. Tian said, his gaze lingering. "It's not so wide like the British. The waist is narrower, so it looks sleeker."

Mr. Tian entered into the public eye last month when Mr. Zhao, in a display of pride, flashed the red and white label of the Hongdu Fashion Corp. inside his suit coat to foreign reporters skeptical of its local origins.

"I hope you will send out a dispatch saying all my suits are made in China and look very smart," the party chief said. Mr. Tian, it was learned, was the architect of this smartness.

In Beijing, where the sartorial skirmishes of Seventh Avenue or the Rue de Faubourg-St. Honore seem by comparison like tepid tea, the political cut of a man is usually, though not always, apparent from the cut of his clothes. And it is Mr. Tian, wistful behind his horn-rimmed glasses, who has been called on, again and again, to cut the fabric.

The most prominent monument to his work is the pale gray, high-collared suit worn by Mao in the 30-foot (9-meter) portrait hanging over the gate to the Forbidden City.

In 1937, when he was 13, he left his home in Changsha and followed his brother into a Shanghai tailor's shop.

"I wanted to learn how to be a tailor," Mr. Tian, 63, said. "My brother was a tailor, so he introduced me to a shop where I studied as an apprentice for four years."

"I worked at a British clothing shop on Nanjing Road until the Japanese came," he said. "The British people in the shop were interned and I was the only tailor left. After the war, the British came back and picked up running the shop."

After the People's Republic was founded in 1949, Mr. Tian moved to a state-owned garment factory at the other end of Nanjing Road. A faint echo of the swagger that put Shanghai onto the fashion map of world travelers in the 1930s and '40s remained awhile, Mr. Tian said, but it dissipated in the march of Communism.

Still, Mr. Tian retained a mastery of cloth that set him apart from other Shanghai tailors. That brought him to Beijing to make Mao suits for the country's leaders. The first Mao suit I ever made was in 1956, when I came to Beijing," Mr. Tian said.

Though it was known formally as a Zhongshan suit, after a style popularized by Sun Yat-sen (or in Mandarin, the Chinese dialect of the north, as Sun Zhongshan), the dress

adopted by Mao and his colleagues was subtly different.

"We took the pleats out of the pockets," he said, transforming the garment of Chinese republicanism into the dress of Communism.

In those days, Mr. Tian said, what was secret, "I never went to measure Mao personally," he said. "I didn't know him myself. His secretaries would come and tell me what he wanted."

Although nearly every official wore a Mao suit, Mr. Tian said, he made Western-style suits once in a while. But with the onslab of the Cultural Revolution and the denunciation of everything Western, particularly in the arts and fashion, Mr. Tian was once again reduced to making Mao suits in dark or grey — a regimen that he endured until 1980.

"That year, Zhao Ziyang became prime minister," Mr. Tian said. "He was the first to get a Western suit. That first suit, well, the lapels were a bit narrow and the shoulders a little flat."

Not all the top Chinese want Western cuttings. "Some leaders still want Mao suits," he said. "They won't wear anything else." Li Xianian, Peng Zhen, Deng Xiaoping.

Both Mr. Li, China's president, and Mr. Peng, the chairman of the National People's Congress, are regarded as hard-line Marxist often uncomfortable with what they see as the creeping influence of Western ideas. Mr. Deng, on the other hand, has been the prime mover behind the nation's effort to cast off the shackles of traditional Communism.

IOWA: Mention Russia, and People in the Heartland No Longer See Red

(Continued from Page 1)

against their high-tech weapons. Where you go back to the beginning, the bow and arrow might get you."

That sentiment often leads to a generalized sense of loss of control.

"We've got to control our defense budget," Mr. Anderson said. "It's out of control. Ecology — we're destroying too much of the world. Economically, we've got to control our deficit spending, which the defense subsidies add to, which the farming subsidies add to. But they have to be controlled or else my kids — I've got four kids — the problems are just going to keep multiplying for them."

This fear leads to another, apparently even more pervasive and troubling one: that world events are in danger of slipping out of control.

"Our weapons are useless against these terrorist threats," said John E. Anderson, 39, a farmer.

"So that makes you vulnerable to any of this. So no matter how much money we spend on atomic weapons or just land-based weapons — or our army! — someone bent on destroying someone with a carload of dynamite is going to do great damage to you."

"Look at the speedboats in the Persian Gulf right now. We've got billion-dollar ships that are virtually defenseless against them. If they send 20 out to get a ship, they'll get it."

"And look at the lesson that the Russians got when West German boy flew his plane over the Kremlin into Red Square. They had no idea it was coming. So if that was full of dynamite, there it goes. They might spend the same amount on defense as we do, but it didn't stop that plane. We build high-tech weapons to protect us."

"A renewed commitment to the elimination of all nuclear weapons. This, I believe, is impossible to fulfill and undesirable. It plays into the hands of those who want to stigmatize the weapons on which the defense of the West must be based for the foreseeable future. Another unfortunate outcome would be any agreement that implied a doubt about nuclear capabilities in Western Europe, such as [occurred in the negotiations] at Reykjavik."

Q: Do you think that Mr. Gorbachev will press the spectacular disarmament proposals he made at the Reykjavik summit in 1986?

A: What he tried to get from us at Reykjavik, he's trying to get in Washington. And he's making progress.

MOSCOW: Protest Is Halted

(Continued from Page 1)

The men also actively tried to steer Western reporters and camera crews away from the refusecists protesters by holding up peace banners in front of television cameras.

Mr. Arnett said late Sunday that he had been accused of hitting a plainclothes security officer on the head with a microphone and knocking off his hat. Mr. Arnett denied the complaint, signed by nine witnesses. He said that in the melee he had pushed people aside to make room for his crew. He refused to sign the document, on the advice of a U.S. Embassy official, but he was released anyway.

The men also actively tried to steer Western reporters and camera crews away from the refusecists protesters by holding up peace banners in front of television

Soviet Union Suggests It Could Drop Demand On Space Defense Tests

By Don Oberdorfer and R. Jeffrey Smith
Washington Post Service

WASHINGTON — The Soviet Union has suggested that it might drop its long-standing demand that the United States accept formal restrictions on space testing of a ballistic missile defense.

A Soviet Foreign Ministry spokesman, Gennadi I. Gerasimov, has suggested that the superpowers simply agree to continue adhering to the 1972 anti-ballistic missile treaty as a basis for dealing with the hotly contested strategic defense issue, without spelling out what the treaty means.

Such a move would skirt the issue of what is permitted and what is prohibited under the treaty, which has been at the core of the argument between the two nations over strategic defense.

If Mikhail S. Gorbachev offers such a position in his talks this week with President Ronald Reagan, it could ease the way for early agreement on deep cuts in strategic or long-range, nuclear weapons.

The first step toward nuclear cutbacks is to be taken Tuesday by Mr. Reagan and Mr. Gorbachev when they sign a treaty eliminating medium- and shorter-range missiles. They will devote much of their three-day meeting to bargaining over strategic nuclear reductions.

Mr. Gerasimov's remarks echoed other, private comments last week from visiting Soviet diplomatic officials and arms control experts who said Moscow is less worried than in the past that Mr. Reagan's Strategic Defense Initiative research plan will become a space-based defensive system against Soviet missiles.

A statement by Mr. Gorbachev on the Strategic Defense Initiative last week appeared to leave room for the position suggested by Mr. Gerasimov.

"We shall be talking about strict compliance with the ABM treaty," Mr. Gorbachev said. "The question of SDI is not a subject for the negotiations."

However, the exact Soviet position on SDI research remained unclear, because a senior Soviet military arms control expert offered a formulation different from that expressed by Mr. Gerasimov and other Soviet officials in the summit delegation who agreed with him.

Colonel General Nikolai F. Chernov, chief of the arms control section of the Soviet General Staff, said that his personal view was that the United States and the Soviet Union should solve their dispute over space defenses by agreeing to observe the ABM treaty "as it was signed and ratified in 1972."

This language has been interpreted by the Soviet Union as referring to a restrictive or "narrow" view of the ABM treaty that would bar realistic space tests, a view that was held by the United States from 1972 until 1985. The Reagan administration has since insisted that this traditional view is not correct.

Nevertheless, Mr. Reagan grudgingly signed into law on Friday a bill that bars spending for tests that would violate the traditional interpretation of the treaty.

U.S. officials said it was unlikely that Mr. Reagan would agree to a proposal by Mr. Gorbachev that both sides abide by the ABM treaty "as it was signed and ratified," because that is so clearly understood to be a euphemism for the restrictive interpretation.

An alternative Soviet plan, which General Chernov endorsed, calls for the two sides to agree on a list of permitted space tests.

The administration has rejected this "list proposal," and Mr. Gerasimov said that "we are not pressing it."

Mr. Gerasimov said: "We are simply saying, let us repeat that we are going to abide by this ABM treaty, which is a good treaty," adding: "What is the point of a quarrel? There is no quarrel there."

He said the United States and the Soviet Union do not need to discuss the correct interpretation of the ABM treaty, partly because Congress has already taken action to require the administration to abide by the restrictive view for the next year.

3 Plotters of Coup Die in Mauritania

Reuters

NOUAKCHOTT, Mauritania — Three military officers were executed Sunday for plotting to overthrow the government of President Maissa Ould Sidi Ahmed Taya, judicial sources said.

The three black officers were sentenced to death on Thursday by a state security court for conspiring to topple the Arab-dominated military junta that governs Mauritania in October.

Lieutenant Ba Seydi, the commander of the Nouakchott naval base, and Lieutenant Sarr Amadou and Sy Saidou, both members of the army staff, died before a firing squad in Nouakchott, the sources said.

11 Are Killed in Bus Plunge

Reuters

CARACAS — Eleven persons, including two children, were killed and 39 others were injured Saturday when a bus smashed into a bridge and then plummeted into a ravine about 98 miles (158 kilometers) west of Caracas, the police said.

"In my view," he said, "if we have good progress on strategic arms, this particular issue is going to fade away."

General Chernov said, "I'm not a supporter of the narrow or of the broad interpretation," that the only reasonable approach was to interpret the treaty "as it was signed and ratified," and that lawyers and "quacks" claiming to interpret it have only added to discord and confusion.

The general also indicated that the Soviet Union would be flexible on other major arms control disputes, including how long the superpowers would agree to abide by the ABM treaty as a means of providing some assurance that missile defenses would not soon be deployed in space.

On a related issue, General Chernov accused a Reagan administration accusation that movement of some Soviet radar equipment violates the ABM treaty can be cleared up by a U.S. team that will visit radar sites at Moscow and Gomel, north of Kiev, on Dec. 14 to 16 at the invitation of the Soviet Union.

A State Department official said, however, that while "the general framework for the visit is agreed," the proposal had not been formally accepted.

Carlucci Tells Military to Cut 1989 Budgets by 10%

By Richard Halloran
New York Times Service

WASHINGTON — The new secretary of defense, Frank C. Carlucci, has instructed the military services to slice about \$33 billion from next year's budget, a reduction of more than 10 percent, according to Pentagon and congressional officials.

The officials said the reduction for the fiscal year 1989 had been mandated by the federal budget deficit and spending guidelines to reduce it agreed to by White House and congressional leaders.

But the officials suggested that the unusual move by Mr. Carlucci



MARCH FOR REFUSENIKS — Tens of thousands of American Jews and supporters gathered Sunday on the Ellipse behind the White House before a demonstration to back Soviet Jewish emigration. The march came a day before the arrival of the Soviet leader, Mikhail S. Gorbachev, for his meeting with President Ronald Reagan.

was being taken for political as well as economic reasons and reflected his strategy for dealing with Congress, as well as an attempt to establish a record for Republicans in the presidential election campaign.

The reductions will drive the budget to be presented to Congress next winter to \$290 billion, well below the \$323.3 billion projected last year by Mr. Carlucci's predecessor, Caspar W. Weinberger.

It also will be less than the \$296 billion just approved for the current fiscal year and signed Friday by President Ronald Reagan.

According to the magazine *Aviation Week*, Pentagon spending

revisions for 1989 will put in jeopardy even the Reagan administration's favorite program, the plan to build a shield against nuclear missiles, and the personnel strength of the armed forces.

The magazine, relying on memoranda it said were signed by Deputy Secretary Defense William H. Taft 4th, also will report in its Monday issue that other cuts may include two aircraft carriers, additional MX missiles and the new Midgetman missile for the air force, and the army's new LHX helicopter.

Mr. Carlucci and Mr. Taft gave the services until Dec. 7 to have

recomendations to Robert W. Heim, the Pentagon compatriot.

In January, the Pentagon included planned 1989 spending in a two-year budget submitted to Congress. The 1989 fiscal year begins Oct. 1, 1988.

The Pentagon and congressional officials said the reductions might be more than required because Mr. Carlucci would prefer to have military spending shaped by the armed forces and Pentagon leaders rather than leave reductions to the unpredictable mercies of Congress.

In marked contrast, Mr. Weinberger, pointing to a threat from the Soviet Union, preferred to set his initial budget request as high as

he thought could be supported and to be adamant in defying requests from Congress that he cooperate in making cuts.

Military officers in the Pentagon and at the major commands around the country openly grumbled in conversations not only about what they consider to be orders to make disastrous cuts but also about the way it is being done.

Beyond that, some officers expressed the fear that the armed forces were headed back toward the days of the late 1970s, before Mr. Reagan came to office, when relatively low military budgets restricted training, flying and ship steaming time.

As Missile Pact Nears, U.S.-Soviet Deadlock on Troops Is Tight as Ever

By Serge Schmemann
New York Times Service

VIENNA — While Washington geared up for the drama of summit and a major arms pact, negotiators in Vienna wound up another fruitless round in 14 years of talks on troop reductions in Central Europe, with Western delegations rejecting Eastern efforts to end the stalemate with a symbolic agreement.

In an address last week to the 46th plenary session of the negotiations on Mutual and Balanced Force Reduction, the chief United States delegate, Stephen Ledogar, said the Warsaw Pact's suggestion for ending the deadlocked process for ending the Warsaw Pact's "dangerous path" and that mandate is not yet signed and sealed.

"At present," he said, "the Mutual and Balanced Force Reduction talks are 'the only forum which deals with the pressing issue of conventional force reductions and limitations.'

The troop-reduction talks have been bogged down through most of their history in disputes over the number of troops each side has and over verification of any reductions.

The proposal tabled by the West in December 1985 sought to avoid the dispute by proposing to make preliminary reductions and to agree on verification measures without first agreeing on total numbers.

The mandate talks, which began Feb. 16, also have hit snags on some issues. Among them is the Soviet insistence on including "dual capable" systems, or those that can fire either conventional or nuclear charges, in the mandate. The United States wants to exclude any mention of nuclear weapons from the talks.

According to the International Institute for Strategic Studies in London, NATO has 796,000 ground forces facing 995,000 Warsaw Pact troops.

Israeli Sets Visit to London

Reuters

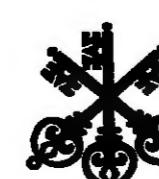
JERUSALEM — President Chaim Herzog of Israel will meet with Queen Elizabeth II and Prime Minister Margaret Thatcher during a visit to London on Thursday, his office announced Sunday.



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OPINION

INTERNATIONAL HERALD TRIBUNE

A Dramatic Summit

A Test of Prospects

Normally prudent people are suggesting a summit of dimensions that would have been dismissed as delusional not so long ago. A good treaty eliminating whole classes of missiles will be signed. The political momentum it generates and the verification precedent it sets make possible an early approach to reducing both conventional and strategic arms — reducing the latter, says President Reagan, by a "gigantic" measure. A formula allowing each side's work on strategic defense to proceed, and without prejudice to accord on strategic offense, is being sought. Soviet spokesmen predict Soviet withdrawal from Afghanistan next year. The human rights account is active and the shape of future expanded economic relations is under review.

The prospect with which Moscow now tantalizes the West arises in the first instance from Mikhail Gorbachev's felt requirement to tend domestic economic and social problems that were so aggravated that they could no longer be ignored. The bold reformist vision embodied in his "restructuring" program has yet to move far off paper; it has engaged the Soviet elite but not yet won the bureaucracy or rewarded the people. To pursue it effectively, however, he needs, among other things, a respite from the expensive, risky, superheated arms and Third World competitions to which his country contributed disproportionately in

the past decade. The effort raises the fundamental question of whether, by intent or circumstance, the respite may lead to a new round of international confrontation or to a settling down over a longer term.

The sense of big and exciting stakes has to be balanced against awareness of the disappointments experienced at seemingly similar moments in the past. A Soviet newspaper said the other day that "the random nature of the U.S. domestic political struggle" remains the "most difficult and permanent obstacle" to Soviet-U.S. discourse. They look at American politics and, given the nature of their own, they predictably don't get it. On their part, many Americans are skeptical of the depth and permanence of Mr. Gorbachev's apparent conversion to a more reasonable outlook. They ask whether his personal understanding of America is deep enough, and his political situation secure enough, to sustain a new course.

Undeniably, however, a moment of high drama is here. Ronald Reagan contributed to it by a policy of steadiness tempered now by an openness to accommodation — an openness that many Americans doubted he had in him. Mikhail Gorbachev undertook to look again at some Soviet notions long set in stone. These unlikely partners meet in circumstances favorable to a thoroughgoing test, over the next few days and over the next year or more, of the potential of improving Soviet-American ties.

— THE WASHINGTON POST.

Do This More Often

Soviet-American relations could be entering a new, productive phase. Economic problems impel both sides toward restraint in military spending and foreign adventures, and toward exploration of new possibilities — like regular summit meetings.

Ronald Reagan and Mikhail Gorbachev would do well to give their blessing to the process they have already followed in practice: institutionalization of wide-ranging sessions between their foreign ministers and other top advisers, leading to a summit meeting every 12 to 18 months.

Summit meetings have been held episodically since 1955, with varied purposes and results. Critics of summits argue that most of them achieved little or nothing and that presidents, operating in a democracy, have come under far greater pressure to make concessions. If that is right, then why hold summit meetings, and why regularize them?

It is far from clear that American leaders found themselves under more pressure than their Soviet counterparts. The acid test is whether presidents gave more than they got. Perhaps Richard Nixon settled too many strategic arms issues too quickly in Moscow in 1972 so that he could sign the SALT-1 treaty there. Otherwise the overall record looks about even. As for the future, Mr. Gorbachev seems eager for results that can free him to concentrate on domestic issues.

Now is pressure all bad. Summits force

leaders to concentrate on the issues and shake loose compromises stalled by bureaucratic infighting. That is all to the good. And if it is true that summits produce excessive pressure for success, that has a lot to do with their irregularity. Regularizing meetings would deflate the circus atmosphere.

Some summits brought dangerous miscalculations. These, however, were not the fault of summity but of poor thought and preparation. Regular meetings would make the participants more familiar with the issues and with one another. American and Soviet negotiators have probably spent more time and effort jockeying over where, when and under what terms to meet than preparing for the substance of this week's meetings. Regular summits would eliminate such unproductive sparring.

If most Soviet-American summit meetings have failed to achieve concrete results, the real reason is lack of genuine common interest. If neither side has much incentive to compromise, propagandistic proposals — for general and complete disarmament, for example — are inevitable. Now, however, economic difficulties and perhaps political maneuvering create opportunities to resolve or lessen conflicts. Mr. Reagan, in his last year of office and with his own reasons for summit, cannot commit his successor to a set schedule of meetings. But he and Mr. Gorbachev can demonstrate, in Washington and in Moscow next year, that the idea works.

— THE NEW YORK TIMES.

The Lesson in Poland

Democracy is unpredictable, as General Wojciech Jaruzelski discovered on Nov. 29. Poland conducted a remarkable popular referendum — and received an unexpected result: The government's reform proposals lost. General Jaruzelski, making the best of a difficult situation, vows to go on with modified reforms. He would get further faster if he acknowledged at last that he must bring the opposition with him.

When he made his startling proposal to go to the people with economic and political reforms, he provoked various theories about his motives. Then a few days before the vote he released jarring news: Under the proposed reforms, food prices might double, utility and rent costs triple. Perhaps, it seemed, the government actually wanted the proposals to lose. That would strengthen the government's hand in dealing with Western creditors over a \$36 billion foreign debt.

Perhaps so. Yet a different explanation for the referendum seems likelier, given Poland's history of labor violence following price increases. General Jaruzelski, compelled to make drastic economic reforms, probably hoped to demonstrate public support beforehand. He may also hope for something else. Both the outlawed labor movement Solidarity and the Catholic Church have called for fundamental re-

forms in human rights and political freedoms. Offering far less comprehensive political reforms, General Jaruzelski may have sought to co-opt their position.

The public offered a chance to live up to their unpopular government, declined. A majority of those who voted approved the two measures, but only about 67 percent of eligible voters went to the polls; that meant a yes vote from less than 45 percent of eligible voters. A majority of eligible voters was required to make the measures binding.

The government deserves credit for having sought the public's opinion. It now says that it will move forward with its plans, but more slowly. Given Poland's dire economic circumstances, moving forward is indeed necessary. But the referendum teaches a lesson that would be especially helpful, if not the government would learn it.

The problem is not that the Polish public fails to appreciate the depth of the nation's problems; it sees those daily, in shortages. It also sees solutions other than those offered by the government, other avenues toward a better life. If the government is ever to come to grips with Poland's problems, it must come to grips with the idea that the opposition has a role to play. Negotiations now with Solidarity would be the way to begin.

— THE NEW YORK TIMES.

Other Comment

'Every Country Has the Right'

In his book "Perestroika," recently published in the West, Mikhail Gorbachev repeatedly calls for trust in international relations. He presents his country as a peace-loving, civilized and reliable partner earnestly seeking reasonable solutions to the world's problems. But the answer to Mr. Gorbachev's question as to why Moscow still encounters so much mistrust in the world might well be found in a passage from his own book which brings to mind countries like Poland or Afghanistan: "Every country has the right to choose its own friends, its system and its path to development. Unless we admit that, we will never be able to build normal international relations."

— Neue Zürcher Zeitung (Zurich).

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A Chance to Serve Peace in Afghanistan

By Selig S. Harrison

WASHINGTON — The Reagan-Gorbachev summit meeting offers a momentous opportunity for a breakthrough in the increasingly promising United Nations negotiations on a withdrawal of Soviet forces from Afghanistan.

The two leaders should give priority to resolving the critical issue now blocking completion of the 35-page withdrawal agreement negotiated by the UN mediator, Diego Cordovez: how to bring about a stable interim government to rule during and after the projected Soviet pullout. Above all, such a compromise would require Soviet readiness to accept a secondary, or possibly even a marginal, role for Afghan Communists elements. But the United States and Pakistan, too, would have to downgrade the role of their Afghan clients.

With American acquiescence, the government of President Mohammed Zia ul-Haq treats the seven-party resistance alliance in Pakistan, which is dominated by four Islamic fundamentalist groups, as the exclusive voice of non-Communist Afghans. Yet the fundamentalists represent only a minority of Afghans, most of whom practice traditional forms of Islam. Surveys show that the overwhelming majority of Afghan refugees in Pakistan — 71 percent in one authoritative poll — look to former King Mohammed Zahir Shah as their spokesman, rather than to the funding and in some cases corrupt alliance leaders.

Islamabad has been actively obstructing efforts by the former king's supporters to organize broad-based negotiations among Afghan factions to pave the way for an interim government. The king has rejected Communist offers from Kabul to share power, but he is ready to play a catalytic role in

arranging and conducting "all-party" negotiations — which would be open to all significant factions, including the Communist Party — to set up a new government dominated by non-Communists.

By contrast, the fundamentalists oppose any compromise with the Communists, calling for an unconditional Soviet withdrawal.

Part of the explanation for Mr. Zia's obstruction lies in his political links to Pakistani fundamentalist groups. But the major reason is his desire to use the Afghan conflict as a lever for obtaining continued U.S. military aid and for countering nuclear nonproliferation pressures.

A workable interim government would have to be built around broadly acceptable figures not identified with either the Communists or the fundamentalists, among them resistance commanders. But some commanders who have worked with the fundamentalists, and some of the less controversial Communist leaders, might be included.

While the Soviet Union officially supports power-sharing within the present government, Moscow has not discouraged current United Nations efforts to facilitate broader negotiations. Previously, Moscow had insisted that the United Nations keep out of "internal" Afghan affairs.

American officials have long insisted on replacement of the Communist regime. But the Reagan administration has made no effort to obtain Pakistani cooperation with the king's moves to organize an all-party dialogue.

The UN agreement between Kabul and Is-

lamabad provides for a withdrawal of Soviet forces, a termination of aid to the resistance and monitoring by a neutral inspection force. Both the Soviet Union and the United States have agreed to serve as guarantors.

The agreement is complete except for one clause fixing the duration of the Soviet withdrawal. Moscow has linked the timetable to progress toward an interim government. Thus, the key to a Reagan-Gorbachev compromise would be an agreement to support all-party negotiations and accept whatever result they produce.

America should pledge to push Pakistan to cooperate with initiatives to set up an all-party dialogue. Moscow should reassure Washington that it is prepared to see the Communist regime replaced. Most important, the two leaders should reaffirm their acceptance of Afghan neutrality.

Such an understanding should enable Moscow to present a timetable of less than 12 months at what is expected to be the final round of UN negotiations in February. This would quicken the pace of UN-facilitated exchanges among Afghan factions. But agreement on an interim regime could well be stymied by Communist or fundamentalist intransigence unless the superpowers make their determination credible.

In negotiations that reflected the real political and social landscape of Afghanistan, neither the Communists nor the fundamentalists would have their present artificial power and importance.

The writer is senior associate of the Carnegie Endowment for International Peace. He contributed this comment to The New York Times.

The Battle To Define Security

By Flora Lewis

WASHINGTON — A series of control agreements with Moscow, but it will not really be about what appears on the surface.

The Senate Foreign Relations Committee has scheduled a month of hearings on the medium-range missile treaty to begin in mid-January, which means that ratification will not come before spring. That is nearly the deadline for President Reagan to achieve the next planned treaty to cut long-range missiles by half and confirm follow-up summit talks in Moscow.

The major problems Mr. Reagan faces in trying to complete his second term in a burst of peacekeeping go come not from what my colleague William Safire (HT, Dec. 3) calls the "distrusting, disillusioning right" seeking to align their favorite president back to his earlier days — the Russians stand. Some people oppose any kind of agreement with Moscow, and they use whatever arguments come to hand to kill the treaty to be signed off. But they are in the minority. With a sinking feeling of despair, we are watching the approaching end of the chance to complete the "Keegan revolution" and make it important.

Much more important is the growing concern of eminent and influential people who do want arms control to fear that Mr. Reagan's defense policies have left the United States incapable of achieving it without danger. The opening public shot has just come from three of them in a Washington Post article (HT, Dec. 3) signed by Brent Scowcroft, former national security adviser; John Deutch, former undersecretary of energy (the department responsible for making atomic warheads); and R. James Woolsey, former undersecretary of the navy. This is only the beginning.

General Secretary Gorbachev has just as much of a political imperative. His leadership faces restless doubts in the party and the bureaucracy, and he needs a success in Washington. Of course the interests that led to the summit are more than personal. Opinion polls in the United States show overwhelming support for the INF treaty, among conservatives and public regard, with no great achievement in foreign policy over seven years. In the INF agreement, and in the possibility of future agreement on a drastic cut in strategic weapons, lies his hope of a page in history.

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Both men and both countries this meeting can be a real success only if it starts a process. Will Mr. Gorbachev act to get Soviet troops out of Afghanistan? Will he commit himself to lasting improvements in Soviet attitudes toward human rights? Will Mr. Reagan abandon his attempt to reinterpret the ABM treaty out of meaningful existence?

The New York Times.

Two Men, Two Countries, One Common Interest

By Anthony Lewis

BOSTON — A summit meeting that is more cosmetic can take place only when each side has a strong interest in seeking accommodation with the other. That is why Ronald Reagan and Mikhail Gorbachev are meeting in Washington, and why each can confidently expect to gain something important.

The most significant achievement from the viewpoint of the United States is already clear. It is Soviet acceptance, in the draft treaty on short- and intermediate-range nuclear missiles, of the principle that verification of arms agreements includes on-site inspection: visits by officials of each side to the other's territory.

Acceptance of that principle is a historic step. Only a few years ago it seemed unthinkable that the Soviet Union would allow American scientists and military officers to inspect missile production and deployment sites. The agreement could point toward a wider easing of the morbid secrecy that the world finds such a menacing Soviet characteristic.

The missile treaty has another aspect with hopeful implications for the United States. In signing it, Mr. Gorbachev implicitly accepts the proposition that arms control agreements may be numerically asymmetric, requiring the Soviet Union to give up larger numbers of weapons.

Under the treaty, the U.S. must destroy some 3,000 nuclear warheads and America fewer than 1,000. If such



By MARANJO IN EL UNIVERSAL (MEXICO CITY).

How the Hard and Soft Right Will Ally in Opposition

By William Safire

only long shot Jack Kemp would join the peace defense issue.

2. Why was Frank Gaffney, last of the Hard-Line Mohicans at the Pentagon, forced out so abruptly? Because he was Mr. Weinberger's man on George Shultz's most recent mission to Moscow, and sent a red-hot secret communication to his boss at the Pentagon criticizing the meekness first shown in the U.S. reaction to demands that the summit meeting include a limitation on SDI testing. America's Big Ear alerted Frank Carlini, Cap's successor at Defense, who showed Mr. Gaffney the door. Senators will soon ask to see the critical cable.

3. Why did the Russians appear to drop the demand for resolution of the testing issue at this summit? Surely you know, George — because Anatoli Dobrynin learned that Sam Nunn's lust to put Senate institutional power ahead of everything would combine with the likelihood of Mr. Bush's nomination to do the test-restricting for him. While watching the strained emphasis on support for SDI at the

farewell ceremony, Moscow realized the reason for the Weinberger summit. It now understands the way to handle Mr. Reagan: Never murder a man who is committing suicide.

4. Does the killahaboo on the right threaten Senate ratification of this week's treaty? Treaty opponents can count on only 15 votes, and it was assumed that they would settle for reservations on verification and progress on conventional reductions. But Mr. Reagan's blunderbuss accusation that treaty opponents were obsessed by the inevitability of war has made a war on the treaty inevitable.

The opposition strategy will be to take as a precedent Sam Nunn's unprecedented examination of all the files on the ABM treaty, and to require the administration to submit the entire seven-year INF negotiation record.

What is for the ABM-limiting goose is for the INF-opposing gander; that voluminous record could then be examined for a year or two.

To counter this (and to restate his

death), Senator Arlen Specter of Pennsylvania is preparing a resolution calling for the Senate to stop the president's hands with narrow interpretations of old treaties. The senator supports Abraham Sofaer's legal argument that the understanding reached between governments, not international discussions within each government, should be controlling.

The Specter resolution will join the lonely hard right to the soft right in support of SDI testing that may diminish the Nunn pressure, confound the Dobrynin expectation and wipe the big grin off the face of Ronald Reagan's new bedfellow, Alan Cranston, the anti-SDI Democratic whip.

5. What surprise do pundits expect from Mr. Gorbachev to upstage Mr. Reagan? At the first Ron-Gorbachev summit meeting in Geneva, much last-minute teasing was done on withdrawal from Afghanistan. Because the Stinger-supplied Afghan patriots are defeating the 115,000 Soviet invaders, we can

THAILAND

THE QUIET ACHIEVER



His Majesty King Bhumibol Adulyadej (above) and the Royal Palace, Bangkok (below).

ENORMOUS differences punctuate the fabric of life in Thailand, but the monarchy continues — almost mysteriously — to provide the unifying bond among this nation of 55 million. Such bonds are virtually unknown anywhere else in the world.

King Bhumibol Adulyadej, the 60-year-old monarch who has reigned since June 1946, is the ninth of the Chakri Dynasty, whose reign coincides with the founding of Bangkok as the capital.

But neither the King's relatively long reign nor the many changes of "temporal" government explain Thailand's royal phenomena. While 90 percent of Thais are devout Buddhists, there is nothing in their character that would indicate a "slavish devotion" to any figure. In fact, the attitude toward the King transcends his official position in the Thai hierarchy.

The origin of the monarchy owes much to the Indian Brahmanic version of reincarnation. The philosophy that one is reborn to a position that one merits from a previous incarnation means that, in essence, the ruler of a state deserves his position. He is not respected *ex officio*, but as one who deserves his position through birth itself.

The idea of a "god-king" was probably developed 600 years ago in the Kingdom of Sukhothai in the north. There, the Indian influence — as well

as the influence of the Khmer Empire in what is today Kampuchea — came to fruition. But even then, the idea of monarchy was totally different from that of the Burmese kings and the sultans of Malaya in the south. For "god" though he might have been, the king was also accessible to the people.

King Ramkhamhaeng was a venerated 16th-century king notable not just for creating the present Thai alphabet (taken largely from Sanskrit), but for holding weekly sessions at his palace where all who had problems could come to visit him to seek justice on at least, solace.

In the later kingdom of Ayudhya, the monarchy was more isolated from the people — the religious element gave way to a ritualization of the institution — but this was justified because of the political problems.

The late writer Ayumongkol Sonakul, who was descended from royalty, explained that "Dynasties fall almost yearly in Ayudhya, because the kings there got far away from the faith. When the capital was burned down (by the Burmese in 1742), it gave way to the Chakri Dynasty, which has survived coups, turmoil, even the revolution against the monarch in 1932."

What distinguished the Thai monarchy from all others in the area is that, from its beginning, it recognized and

accepted the outside world. It was not isolationist. The despotic kings of Burma moved their capitals further and further into the jungle to avoid the British. But not the Thais.

British and French traders were sailing up the Chao Phraya River from the Gulf of Siam from the beginning of the 19th century. They were accepted as traders and educators.

And while the Thai monarchy had the duty to protect Buddhism, missionaries were permitted to teach. The book about this period, "Anna and the King of Siam," is very much the fantasy of the teach-

er who wrote it, Anna Leonowens, but its basic idea was correct: King Rama IV was ready and willing to accept Western ideas when they were good for Thailand. But accepting or rejecting them wholesale would have been out of the question.

His successors sent their children abroad — to England, Russia, Germany, France and later the United States — in order to guarantee the openness of the country for the future.

Inevitably, this openness led to problems. In 1932, an elite educated in France over-

turned the monarchy. It was not a simple revolution. It was complicated by the economic factors of the worldwide Depression and by an ingrained cabal within the palace itself that refused to allow changes. The King retired to England, but the monarchy was never allowed to die in the hearts of the Thais.

King Bhumibol was born in Boston, where his father was studying medicine. When he became King, Thailand really did not have any idea of just what the monarch was supposed to do.

The King was "above the law," but in a literal sense he was unable to make the law. He was to be respected or venerated, but for what, outside of tradition, not even the Thais were certain.

King Bhumibol, however, was able to project an entirely new picture of the monarchy as a man of action, of art and of accomplishment.

As a man of action, King Bhumibol has moderated extremism within the kingdom. He has revolutionized agriculture with his own farms, by granting seeds and crops and by encouraging farmers to try new methods.

When it comes to industrialization, the King has been at the forefront in quietly encouraging banks and industrialists to invest in Thailand. Through his office, his conversations and trips abroad, King Bhumibol has brought Thailand, even when the political system seemed to be on the verge of collapse.

Politically, the situation is very sensitive. Constitutionally, the King can have nothing to do with politics. Yet by conserving his office, he gives greater weight to whatever political thoughts he may have. Several coups were averted simply because the King had quietly told the coup leaders that they would not be "correct."

Through several royal persons who are involved in politics, notably ex-Prime Minister Kukrit Pramoj, it has

been possible for him to let political leaders know his feelings.

These are not orders, but because of the veneration felt for him, they are highly — if unofficially — important.

As a man of art, the King is venerated as a musician well known for his jazz composition, his baller "Manohra" and his encouragement of Thai classical music. As an artist, he has had many exhibitions, and like his royal forebears, has helped supervise many of the architectural monuments. He has also helped to revive the religious ceremonies of the country.

There is no such thing as Buddhist fundamentalism," said one writer, "but there is a feeling that rituals help to solidify one's feeling of veneration.

King Bhumibol, however,

is the closest translations. But more important is the King's own closeness to his people. He has tried to downplay "royal language" when visiting people in the countryside, and he has attempted to strike a real relationship that is both monarchical and human.

His oath of allegiance during his coronation is near to the reality of his reign: "We will reign with righteousness for the benefit and happiness of the people." This he has tried to do. And no matter what the temporal realities of Thai politics can be, he has bonded together the Thai people as a monarch, as a symbol of veneration, and — ironically — as a very human element in their lives.

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Prosperous Land of Plenty

Thai farmers, who comprise almost 70 percent of the population, are often eulogized as the "backbone of the nation." And despite the private sector's rapid strides toward industrialization, they will continue to play a crucial role in the country's future prosperity.

In 1981 former Minister of Agriculture Dr. Anat Arbabhira pushed a draft amendment of land laws that would greatly limit individual land ownership. The amendment is still pending, having passed initial readings in the Thai cabinet and parliament, but has already had a significant psychological impact. Dr. Anat, now the governor of the state-owned petroleum authority of Thailand (PTT), said: "Because of this pending legislation there are few large farms, and land distribution in Thailand is still one of the best in the world."

The small farm system, however, has left the Thai farmer vulnerable to the variables of weather, unscrupulous middlemen and, more recently, plummeting commodity prices on the world market. Government planners, the Bangkok-based business community and the farmers themselves have sought

security in crop diversification and food processing.

Crop diversification is nothing new to Thailand, but the ability to process, package and market agricultural products abroad has only taken off in the past few years. One of the first pioneers in crop diversification was King Bhumibol Adulyadej.

As a "velvet glove" approach to the opium problem in northern Thailand, where the high altitudes and inaccessible terrain have proven ideal for hilltribes cultivating the illicit crop, the King initiated a "crop substitution program" in the early 1970s. Dozens of government-backed projects with foreign aid and expertise have since extended the program, which now brings strawberries, passion fruit, potatoes, coffee, cabbage, kidney beans, tomatoes, zucchini and winter squash where poppies once flourished.

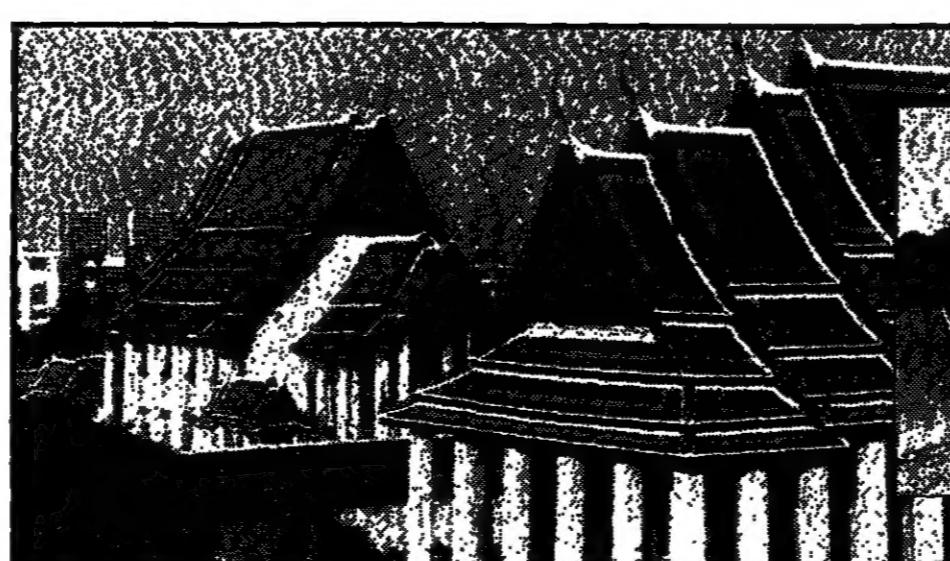
The Thai farmer and Thailand's enterprising merchants have taken up where the aid projects left off, turning the north and other formerly remote areas — like, say, Koh Samui in the south — don't have the infrastructure to suit them.

Instead, luxury hotels in Pattaya are being constructed, cottage hotels are being built along the whole east coast, Phuket is developing (far faster than the "old hands" want), and Bangkok and Chiangmai are building perhaps too many hotel rooms.

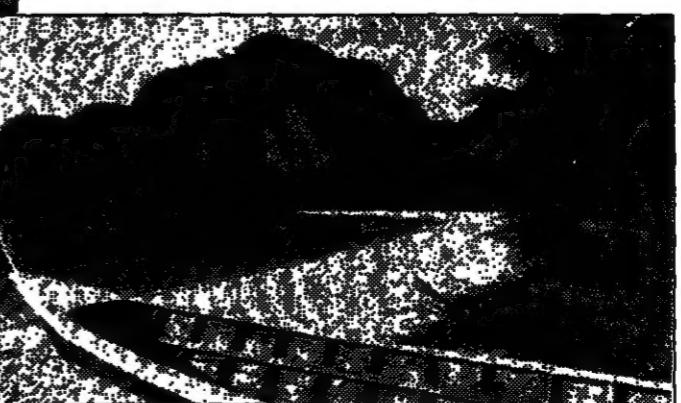
Add to this a regional element — "We want to be the center of a Visit ASEAN Year," said one executive — and Thailand seems to be on the verge of yet another boom.

"The real secret," says Mr. Dhammoorn, "is that we have everything going for us: our scenery, our attractions and our people. Now if we can work out how to allocate small things like hotel rooms and airline seats, Visit Thailand Year can continue indefinitely."

The Year of the Tourist Revisited



Thailand's temples and beaches are timeless tourist attractions.



certain areas — like, say, Koh Samui in the south — don't have the infrastructure to suit them.

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WE have only one real problem in this tourism year," said an executive of the Tourism Authority of Thailand. "We have to stop people from coming here. They're coming too quickly for us to take care of them."

The executive was only half joking. From the prosaically titled "Visit Thailand Year," the reality was fairly astonishing. In 1986, 2.8 million visitors came to the kingdom. This special year, the number is estimated to be 3.2 million by the end of the year, so the Tourism Authority of Thailand (TAT) is cruising all the way to the Ministry of Finance. The revenue is estimated to be US\$2.8 billion, making tourism by far the highest foreign exchange earner.

So when the Visit Thailand Year comes to an end in four weeks, what do they do for an encore?

Well, this being Thailand, time isn't exactly what it is in

other countries. Certainly the "year" ends by the end of December. But the TAT has fixed it so the special year ends in July 1988. That has nothing to do with budget allocations or anything so mundane. Visit Thailand Year was originally created to celebrate the auspicious 60th birthday of the King. But in July 1988, the King will have celebrated a longer reign on the throne than any previous monarch. So the celebrations are continuing.

To the TAT, this success is fraught with warning. Should the hotel investors build more rooms? Certainly in December: the 20,000 rooms of Bangkok — and most of the rest of the kingdom — are packed solid with visitors. But this hardly means that next year the same success will come, and they have been warned.

Airlines have their questions as well. While the affable TAT governor, Dhammoorn Prachubkorn, "but I have to

keep on warning people that this may not continue. So far, we're riding on an image for this special year. Next year, after July, we'll be concentrating on the image of 'The most exotic country in Asia.' But mainly we have to keep riding this wave by word of mouth and reputation."

That plus a hefty advertis-

ing budget. This year the budget is \$3.5 million. Next year it will double. But the attractions of Thailand have to speak for themselves.

The auspicious year has brought a certain magic, but each country has its own temptations. The Japanese, for instance, fall in love with Thailand's golf courses. What

costs a few hundred dollars in Tokyo costs ten percent of that in Thailand. Tour groups prefer the middle-class hotels. And almost everyone enjoys the Thai nightlife.

"We have to take that into consideration, but we think the image will change inevitably," says Mr. Dhammoorn. "After all, just look at Japan after World War II. That image is certainly different today. And we're aiming for a more well-heeled group of tourists. They aren't discouraging the backpack or group tourist, but

ADVERTISING SECTION

Airlines Ready for Next Decade



Sophisticated computers speed cargo handling.

THE names THAI and TAC were diametrically opposed until last month. THAI was for Thai International, whose fleet flies to 32 countries. With a record load capacity of 70 percent and 11,000 employees, it is believed by some to be the best airline in Asia.

TAC was Thai Airways Corporation, which mainly flies domestic routes. Its profit was perhaps 10 percent. Its staff of 1,800 had a less-than-admirable reputation. Its recent safety record was not the highest. Nor its service.

On November 16, the two airlines merged — with Thai International obviously set to play the key managerial role for the two. The merger had been considered for several years, though no firm commitment was ever made. Now the advantage of the partnership is bound to be felt throughout the country and will surely facilitate basic in-

ternational tourist traffic to Thailand.

"Have you ever tried to get from London to Phuket?" asked writer Bill Warren. "It was like getting to the moon."

There was simply no way of doing it unless you spent a few days on the spot in Bangkok."

According to Thai International's executive vice president, Charachai Bunya Antara, this will change almost

immediately. "Now," he said, "we can coordinate schedules and coordinate ticketing. Before this, TAC was limited to domestic stations."

The flexibility factor is equally important. Previously, THAI had leased its own airways to TAC. Starting in April, when the merger becomes official, coordination will become easier.

Mr. Charachai's prediction

years ago THAI flew into China, but this expansion is holding back for awhile.

"It is obvious," said Mr. Charachai, "that, with TAC coordination in marketing, ticketing and scheduling, we can make Thailand even more of an 'Asian gateway,' establishing Thailand as the center of an Asian journey."

Until this year, Thai International's claim to be the gateway to Asia was offset by its relatively primitive airport facilities.

Last September, when the lofty new departure hall came on, along with two finger piers and 15 airbridges, a remedy was in sight. The South International Passenger Terminal, designed as a Thai-Japan joint venture, is the largest component of an entire restructuring of the airport, to be completed in 1989 at a cost of US\$200 million.

At the project end a total of 16 airbridges attached to four piers will enable the airport to handle aircraft as large as Boeing 747's. They represent the largest single airbridge or-

ever placed. Once the third finger pier and North Corridor are completed, airport parking space will total 540,000 square meters — sufficient for 52 wide-body aircraft. By 1998, overall international handling areas will have been increased to facilitate 18 million passengers annually ensuring sufficient spare civil aviation capacity to see it into the next decade.

The domestic terminal was updated in 1985, the same time as the cargo terminal. The latter occupies 5,000 square meters and is home to 47 airlines and freight forwarders with a sophisticated computerized handling and storage system.

The financial advantages for TAC are numerous. A long-term planning committee member said that the domestic load factors were likely to increase by over 20 percent next year, not the earlier forecasts of 13.9 percent. Of the 1,268 million passengers expected, most will be traveling on three routes — Bangkok to

Chiangmai, Hat Yai and Phuket. The others, mainly money losers, will now be subsidized by Thai Inter.

"We have no intention of canceling any routes," said Mr. Charachai. "More important on the major domestic routes TAC can now use our larger aircraft, like the A300B4's."

Several problems must be resolved before the merger officially takes place. The financial transfer is basically a matter of a book transaction with the Ministry of Finance. But the complex proposal of privatization will obviously have to wait until this is accomplished.

Other problems will take negotiations to solve. Salary and benefits are much lower at TAC than at Thai International. The agreement between the two companies states that no layoffs will be entertained. But Mr. Charachai privately has few illusions about the difference in quality between the staffs.

"We will," he said, "utilize

the entire staff of Thai Airways. What their position is depends on their capabilities."

Another option is for TAC to offer severance pay and other benefits to employees who don't want to work with THAI.

Negotiations will also be undertaken with travel agents. At present they pay only 2 percent to monopoly TAC, with about 8 percent to Thai International.

The last problem is simply one of allocation and infrastructure. The new airport has helped to resolve this. But Mr. Charachai still believes that new hotel rooms, highways and better coordination between the airline, tourist authorities and other ministries is necessary.

Still, the merge is apparently good for all concerned. Some grumbling might be heard with both TAC and THAI. But the merger fits in ideally with the goals of the tourism authority of Thailand — and thus with the country's biggest money earner.

Projects in the Pipeline

OME 27 years ago, Thailand's east coast was a sun-baked stretch of palm trees, tapioca and resort cottages, while Bangkok was a city-state of clogged harbors and an impossible transport system. That was when the idea of developing a deep sea port along the Gulf of Siam was envisioned. Two decades later, the vision was expanded into the grandly titled Eastern Seaboard Development Program (ESDP). This would include two massive harbors, three industrial estates and an infrastructure extending as far as the old American military airport of Sattahip near the Kampuchean border.

The idea is an all-uncompromising one, centering on two areas. Laem Chabang in Chonburi Province, 125 kilometers east of Bangkok, would ex-

pand its port to handle up to 4 million tons of goods annually. Behind all this would be an industrial estate, attracting labor-intensive light and medium industries, including food processing, electronics and commercial works. More ambitious is the second port, Map Ta Phut, further to the east. Already on the receiving end of the world's largest natural gas reserves pipeline, Map Ta Phut would serve as the site for heavy and natural/petrochemical-based industries. A deep-water port would include berths for general cargo and the industrial estate would include some rather extravagant projects, including a

fertilizer plant, steel foundry and other heavy industries.

Both projects would be coupled with massive infrastructural facilities: up to 7,000 telephone lines, a road network going into the interior, the reopening of Sattahip both for passengers and cargo, water and electricity — all long-overdue for the now tourist-rich area.

The feasibility study, from 1981-86, was bright. First, Thailand's general economic growth was very strong during this time. The manufacturing sector grew 70 percent

in 1985, replacing agriculture as the engine of growth. Thailand certainly needed another port. And while the resort owners along the 120-kilometer road through Pattaya strongly objected that pollution could ruin their industry, the idea of industrialization was appealing to even the most conservative Thai economists.

Anandvichai Dhamasunthon, general manager of Thai Factory Development Company, explained, "We're a very cautious country financially. But there is no denying we need industry. We need this new port and we need the back-to-back industrial estates outside of Bangkok."

Last year, the board of investment received 700 applications for new industries, but virtually none were outside of Bangkok. The capital might have its problems but there are few viable industrial facilities outside the capital.

The Laem Chabang port is equally essential. Dr. Savit Bhotiwihok, a government planner behind ESDP, said, "Laem Chabang isn't an east coast port, it will be a national port. And it is absolutely necessary because Klong Toey (Bangkok's port) is fully exhausted at present."

With the exception of the tourist-service industry, which has proved its worth to the country already, planners agree that ESDP is essential. But it was only in October this year — 26 years after its

conception — that a contract was signed to deepen Laem Chabang port.

While the 1,100-acre plot of land is already filling up with light-factory industry (mainly to facilitate the agro-growth industries of the northeast), the gigantic port of Map Ta Phut is the big question mark. The 425-kilometer natural-gas pipeline has engendered a gas-separation plant, and two petrochemical plants will be operational within two years, spurred on by a ten percent or higher increase in domestic demand for petrochemical feedstocks.

As for the promised heavy industry, nothing has been constructed at all. One computer printout list of all the "intended" plans shows why. Steel foundries, chemical plants, shipyards and ship-breaking yards are all in the pipeline, but none have signed on. The reason? As the list shows, all are waiting for the first crane to dig out the first hole in the port.

Mr. Anandvichai, whose semi-government Thai factory development corporation should do stoking and financing for the project, sees ESDP as "at least two to three years off before we can take it seriously." Several drawbacks are noted. First, the government refuses to sell the land outright. "A 99-year lease would do for European investors," said Mr. Anandvichai, "but it is insufficient for Asian investors, who want to know they have the land." Second, he said, right now the project is "still dirt and promises." The infrastructural facilities will have to be built before any serious investment takes place. A further problem arises with the essential Japanese investment as the yen becomes almost as valuable as gold. Money promised may not be in the pipeline.

Perhaps the major problem is governmental bureaucracy. The complexities of which political party or which power holds sway in either of the two ports has been noted in many

confidential reports to foreign investors. Instead of developing one port or another, the political pendulum swings, with only the prime minister seemingly holding a disinterested allegiance to the project.

Added to this, different ministries have control over different facets such as land, water, pollution and industry. Yet there is still much optimism, as one port slowly is being deepened and the petrochemical plants are nearly on

target. Fortunately, the government recently announced a new change to the entire ESDP. Starting in 1988, the infrastructure will go out to tender to private industry rather than the government, and this in itself has made industrialists more optimistic. Port and estate projects, which are relatively uncomplicated, would go to Thai, Taiwan, Korean, perhaps Spanish or Italian companies. The more complex building would go to Japanese or European firms.

Mr. Anandvichai feels that though success is still "down the road," there is a possibility that the ESDP will someday happen. "We have a Thai saying," he explained, "that when the water is high, you scoop it out. The water was very high until the recent economic problems and we didn't take advantage of it."

"Thailand is set to become an industrial success. And the only way is through getting a project like this one off the ground."

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When you come to the Kingdom of Thailand you will meet an old and unique culture. Its glories can be seen in Bangkok's glittering temples, palaces and majestic Royal Barges. A boat-ride up the Chao Phraya River takes you to Ayutthaya, ancient capital of Siam, rich in fascinating ruins. Then go North-East along the Mekong River and visit Ban Chiang, site of the

oldest civilization ever identified. And as you travel around the country enjoying the beaches, the scenery, the delicious food, you will discover another aspect of the culture: peaceful villages, an old lady offering food to a monk, a child weaving a garland of flowers. And everywhere, the smiles and laughter of the friendly Thais, making you welcome.

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Prosperous Land of Plenty (Continued from Page 9)

more regions into production bases for produce which several years ago had to be imported. Said the Bangkok Hilton's executive chief Josef Peter, "Before, we had to import practically all our fresh vegetables and spices. Today we get iceberg lettuce, white and green asparagus, beans, oak leaves, cantaloupe and honeydew melons, in addition to the regular Thai vegetables."

More important for the Thai economy has been the growth of food-processing industries. Exports of canned food in 1986 earned the country Baht 14.98 billion (US \$587 million). Canned pineapple, still the country's leading item in the canned food category, accounted for nearly 25 percent of all canned food exports. Other processed fruits and vegetables that are increasingly popular abroad include pineapple and other fruit juices, frozen fruits, canned mango, rambutan and longan, and canned dwarf corn and other seasoned vegetables.

Despite the swiftly developing fisheries in the Gulf of Thailand, the country has con-

tinued to be a major exporter of frozen shrimp and canned seafood by shifting toward aquaculture and commercial fish farming. In the past six years the country has gone from being an importer of canned tuna to one of the world's leading exporters. Unicord Co. Ltd., a leading canned tuna exporter, buys the fish from American and Japanese tuna trawlers in Bangkok, trucks them to its factory where they are processed and canned, and then export them to foreign markets in the United States, Europe and even Japan.

The rising popularity of food processing has highlighted the need for greater cooperation between the predominantly urban based private sector business community and the Thai farmer. The process has only just begun, but already economists argue that such cooperation is crucial to Thailand's economic future.

Said respected economist Dr. Anat, "I think Thailand should definitely go into more food processing to diversify our activities, to generate em-



Tobacco crops in the Chiang Mai valley.

ployment which is going to see a big problem in the next few years, to get value to add activities, and as a means of making our price-support program for agricultural products work properly."

Whether the government should spend more on budget-boosting agro-industries instead of traditional industries such as chemicals and the automobile remains a crucial development question. Many

economists argue that Thailand should strive to become the world's first newly agro-industrialized country (NAC), rather than yet another newly industrialized country (NIC) within the next five years.

This Advertising Section was written by Harry Rabin.

ON DECEMBER 5TH THE PEOPLE OF THAILAND SALUTE A DEDICATED KING

ON DECEMBER 5TH, 1987, HIS MAJESTY KING BHUMIBOL ADULYADEJ, ninth monarch of the Chakri Dynasty, celebrates the achievement of the fifth cycle; his 60th birthday.

In Thailand, life is measured in cycles of twelve years. The completion of each cycle is a significant step in a man's life. It means development and change. Fortunes may improve, or worsen. Personality and outlook on life are different. Each cycle is a "coming of age."

However, the fifth cycle is the most important of all. At sixty, man is mature, wise and knowing. Experience has made him complete. Thus, completion of the fifth cycle is a time for celebration.

When a King achieves this momentous step, an entire nation celebrates. And in the case of King Bhumibol, the joy is genuine indeed.

Since the beginning of the Chakri Dynasty, the monarchy has been benevolent and caring. Both a friend of the people and a figurehead.

King Bhumibol and his beautiful Queen, Sirikit, have carried on this tradition, regularly travelling throughout the country offering help and advice where it is most needed.

Thailand is still largely agricultural, and the climate



His Majesty King Bhumibol Adulyadej sharing advice with a group of his subjects.

can be extreme, with monsoons and floods in some areas and drought in others. The King and Queen have initiated countless projects to speed the advance of technology. Dams and irrigation systems have been built under the King's guidance, while modern farming schemes have been introduced all over the country.

This ongoing relationship is conducted without fanfare. In fact, the King is likely to arrive on a remote farm for an informal get-together to see how things are progressing.

This extraordinary devotion to the well-being of his people has made King Bhumibol one of the most beloved monarchs in Thailand's history. His picture takes pride of place in practically every household in the land.

Next year, King Bhumibol becomes the longest reigning monarch of the Chakri Dynasty. He came to the throne in 1946, pledging to "reign with righteousness for the benefit and happiness of the Thai people." That, he has done, and continues to do.

On this momentous occasion, Thai Airways International join with all the Thai people in expressing their love and gratitude to King Bhumibol Adulyadej. May the completion of his fifth cycle bring His Majesty as much joy as he has brought to his people.

A NATION CELEBRATES

NASDAQ National Market

OTC Consolidated trading for week ended Friday.

December 4

— 4 — (Continued on next left-hand page)

Mutual Funds

Figures as of close of trading Friday

December 4

NEW YORK (AP)— The following mutual funds, submitted by the National Association of Securities Dealers, Inc., are the names of which these securities have been registered with the New York State Department of Securities (value plus sales charges Friday).

Bid Ask

AAP Inv.

ABP Inv.

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Mat.	Coupl. %	Price end week	Terms
ROARING RATE NOTES					
For West Capital	\$ 75	1993	0.325	100	— Over 3-month Libor. Noncallable. Payable Jan. 13. Fees 0.45%. Denominations \$100,000.
Flash Y	\$ 30	1992	0.21	100.10	— Over 6-month Libor. Noncallable. Fees 0.11%. Denominations \$100,000.
FIXED-COUPON					
Tokyo Metropolis	\$200	1993	9%	101 1/2	100.00 Noncallable. Payable Jan. 7. Fees 1 1/4%.
Bank of Greece	DM 300	1992	5%	99 1/2	98.10 Noncallable. Payable Jan. 5. Fees 2 1/4%.
Commerzbank	DM 300	1993	5%	100	99.05 Noncallable. Payable Jan. 7. Fees not disclosed.
Ferrovie della Stato	DM 500	1993	5%	100 1/4	99.20 Noncallable. Payable Jan. 15. Fees 2 1/4%.
Industrial Development Bank of India	DM 200	1994	6%	100 1/4	98.85 Noncallable. Fees 2 1/4%.
Zanders Int'l Finance	DM 75	1995	6 1/4	100	99.05 Noncallable. Payable Jan. 7. Fees 2 1/4%.
Goodwin Fielder Industries	£ 150	1992	10%	100 1/4	99.50 Noncallable. Fees 1 1/4%.
Royal Trustco	£ 50	1992	10%	101 1/2	99.75 Noncallable. Fees 1 1/4%.
Philobank Nederland	DF 100	1993	6 1/4	100 1/4	— Noncallable private placement. Payable Jan. 15.
Postbank	DK 250	1993	11	101 1/2	98.88 Noncallable. Payable Jan. 14. Fees 1 1/4%.
Crédit Foncier de France	ECU 50	1994	7%	97 1/2	— Noncallable private placement.
China Int'l Trust & Investment	Y 15,000	1993	5%	102 1/4	99.50 Noncallable. Payable Jan. 20. Fees 1 1/4%. Denominations 10 million yen.
Crédit Foncier de France	Y 20,000	1994	5 1/4	101 1/4	99.38 Noncallable. Fees 1 1/4%.
EQUITY-LINKED					
Ranks Hovis McDougall	£ 59	2003	open	100	— Coupon indicated at 4% to 5 1/4%. Redeemable in 1993 to yield 9 1/2%. Convertible at 350 pence per share, a 19% premium. Fees 2 1/4%. Terms to be set Dec. 8.
WARRANTS					
Nordic Investment Bank	0.20	1991	—	\$24	— Call warrants exercisable at 103 1/2 after Sept. 1989 into U.S. Treasury's 8 1/2% bonds due 1997.

EUROBONDS: Disillusionment With Dollar Fixity

(Continued from first finance page)

to bring forward promised German tax cuts, the next response is expected to be a unilateral revaluation of the mark within the European monetary system or, less likely, a re-imposition of the Bardege — tax used in 1972 to deter inflows of hot money.

In any event, the 1.375 billion DM of Eurobonds launched last week met a favorable response. The short maturities were a plus, as was the fact that three of the issues were state-guaranteed — the Bank of Greece for 300 million DM; Italy's state railway Ferrovie dello Stato for 500 million DM, increased from an initial 300 million; and Industrial Development Bank of India for 200 million DM.

Ferrovie, offered at 100% bear-

ing a coupon of 5% percent, was priced to yield less than the 5% percent available on domestic government paper — a reflection of the preference for Eurobonds following the government's plans to impose a withholding tax on domestic interest payments.

Foreign bankers made much of the fact that the issue for Ferrovie, considered a client of Commerzbank, was managed by Bayerische Vereinsbank, India, whose issues had been led by Dresdner, used Commerzbank for its latest issue.

West German bankers said the switching was not extraordinary. But it was taken by foreign bankers as a sign that issuers are becoming more "transaction-oriented," or willing to do business based on competitive pricing and give the

foreign banks now operating in West Germany a chance to lead more issues.

Bankers also reported strong, steady buying of Euroyen paper, particularly from Japan. The 15 billion yen issue from China International Trust & Investment drew strong support from institutional investors in Japan, who enjoy a tax credit on loans to China.

In Eurosterling, Goodman Fielder's £150 million issue, increased from £125 million, drew support as an asset swap. Offered at 100% with a coupon of 10% percent, the paper yielded about 1.8 percentage points more than comparably dated government issues and could be swapped to create a synthetic floating rate instrument yielding 1 percentage point over the London interbank offered rate.

"Hundreds of banks now just say no" to new Third World loans, according to Robert D. Sloan. Until earlier this year he was the vice president at the First National Bank of Chicago in charge of lending to foreign governments.

The fund's latest figures also show that Third World countries increased their deposits in banks by \$18.5 billion the first half of 1987, compared with \$18 billion in net withdrawals in the first half of

1986. "Almost all of this increment reflected higher official foreign exchange reserves and came mainly from Taiwan... and Mexico," said the fund's monthly "IMF Memoranum."

Taiwan has been accumulating large reserves in large part by heavy sales of its goods to the United States. U.S. officials complained that Taiwan authorities have not let their currency rise in value against the dollar as much as other currencies have done.

Mexico has been accumulating reserves by increased exports of other goods in addition to the oil that has been its mainstay in recent years. Many of the new goods are produced by Mexican factories close to the U.S. border. They use Mexican labor, which earns much less than U.S. labor, to process materials from the United States.

Last month when many wealthy Mexicans wanted to sell pesos and buy dollars, the Mexican government held on to its reserves of dollars and allowed the price of the peso to drop sharply.

RATINGS: *Debt Downgraded*

(Continued from first finance page) of loans by commercial banks to less developed nations was accelerating and could cause further earnings setbacks.

Earlier this year, many major U.S. banks, as well as several in Britain, increased their loan-loss reserves by billions of dollars to take account of problem loans to developing countries.

Because of those provisions, U.S. banks had an overall loss of \$10.6 billion in the second quarter of this year, the first loss since the Depression.

Citicorp, the leading U.S. bank, which in May set aside \$3 billion to cover possible loan losses, said it was puzzled by the timing of Moody's announcement.

"Citicorp believes that major banks and bank holding companies are, in general, much stronger as a result of a significant increase to loan loss reserves," it said in a statement. (Reuters, UPI)

■ GM Rating Under Review

Moody's has announced that it will review the bond rating of General Motors Corp., which has \$54 billion in long-term debt. The New York Times reported from Detroit, GM's bonds are currently rated Aaa, Moody's second-highest category.

The rating service said Friday that it would consider the effects increased competition might have on GM's market share and profits. In recent years, GM has lost share to Ford Motor Co. and to overseas manufacturers, many of which are building U.S. assembly plants.

Fourteen months ago, Standard & Poor's Corp. lowered GM's rating to Aa minus, its third-highest category, from Aa.

IMF Cites Mexico in Third World Borrowings

The Associated Press

EMS: France, Citing Low Dollar as Threat, Calls for Strengthening of System

(Continued from Page 1) excessive revaluation of their currencies against the dollar.

He said that "the most pragmatic, progressive solution in the short term" was a strengthening of the role of the European Monetary Cooperation Fund, which is used by central banks to smooth exchange-rate fluctuations through intervention on currency markets.

The Deutsche mark's recent strength against the dollar has led to severe strains within the EMS, particularly against the weaker currencies such as the French franc.

In a clear reference to West Germany, Mr. Balladur asserted that countries with the most restrictive monetary policies should not be in a position to impose their views on other members of the system.

The EMS links the mark, the French, Belgian and Luxembourg francs, the Italian lira, the Dutch guilder, the Danish krone and the Irish pound.

The EMS sets ranges in which the currencies can fluctuate against one another. Referring indirectly to the lira, Mr. Balladur argued that all member currencies should have the same allowable percentage range for variations.

In recent years, banks have been making few loans on their own initiative to heavily indebted countries, despite urging by Treasury Secretary James A. Baker 3d and others.

The World Bank, the fund's sister organization, estimates Third World debt at more than \$1 trillion. The fund offered no new figure but said total debt rose in the first half of the year not only because of the new loans but also because Third World countries fell behind another \$2 billion in payments of interest on old ones.

Taiwan caused a major jump in the arrears by suspending its interest payments last February on about \$68 billion of its debt to banks.

Payments of interest and small amounts of principal are costing Third World countries about \$30 billion a year, an expense their leaders complain has crippled development.

Traditionally, developing countries borrow a lot more than they pay back. Ideally the money goes into new projects that create jobs and raise living standards.

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RATINGS: *Debt Downgraded*

(Continued from first finance page) of loans by commercial banks to less developed nations was accelerating and could cause further earnings setbacks.

Earlier this year, many major U.S. banks, as well as several in Britain, increased their loan-loss reserves by billions of dollars to take account of problem loans to developing countries.

Because of those provisions, U.S. banks had an overall loss of \$10.6 billion in the second quarter of this year, the first loss since the Depression.

Citicorp, the leading U.S. bank, which in May set aside \$3 billion to cover possible loan losses, said it was puzzled by the timing of Moody's announcement.

"Citicorp believes that major banks and bank holding companies are, in general, much stronger as a result of a significant increase to loan loss reserves," it said in a statement. (Reuters, UPI)

■ GM Rating Under Review

Moody's has announced that it will review the bond rating of General Motors Corp., which has \$54 billion in long-term debt. The New York Times reported from Detroit, GM's bonds are currently rated Aaa, Moody's second-highest category.

The rating service said Friday that it would consider the effects increased competition might have on GM's market share and profits. In recent years, GM has lost share to Ford Motor Co. and to overseas manufacturers, many of which are building U.S. assembly plants.

Fourteen months ago, Standard & Poor's Corp. lowered GM's rating to Aa minus, its third-highest category.

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ers Final

Miami and Oklahoma To Meet in Title Game

The Associated Press

MIAMI — Second-ranked Miami held off No. 8 South Carolina, 20-16, Saturday night to set up a U.S. college football championship showdown with Oklahoma.

In the other major confrontation on the final day of the regular sea-

U.S. COLLEGE FOOTBALL

son, Army's run-oriented wishbone offense downed Navy in the service academies' traditional game.

For the second straight year, Miami is headed for a title showdown. But instead of traveling to the far-off Fiesta Bowl, where last season the Hurricanes lost, 14-10, to Penn State, they will play this one in their backyard, the Orange Bowl.

That's where they completed a second straight 11-0 regular season by beating South Carolina, and that's where they will meet No. 1 Oklahoma on New Year's night.

Miami became the fourth team to put together two straight 11-0 regular seasons since the NCAA added a 11th game in 1970. South Carolina, 8-3 after having a six-game winning streak snapped, will play LSU in the Gator Bowl.

Holder Jeff Jeffries ran 24 yards to the South Carolina six on a fake field goal to set up Marvin Bratton's four-yard go-ahead touchdown run in the second period.

Jeffries' only run this season made him Miami's leading rusher for the game. But sophomore Steve Walsh, the successor to 1986 Heisman Trophy winner Vinny Testaverde, threw for a career-high 310 yards and was 22 of 40 passing, which included his 18th and 19th TD passes of the season.

The Gamecocks' only touchdown came on a four-minute drive and gave them a 13-7 lead early in the second period, when wingback Sterling Sharpe turned a short pass from Todd Ellis into a 47-yard TD.

Army 17, Navy 3: In Philadelphia, Bill Rambusch kicked a 40-yard field goal in the first quarter and Andy Peterson and senior quarterback Tony Crawford ran for fourth-quarter touchdowns as Army won the 88th game of the service academy rivalry.

The victory, before a sellout crowd of 68,000, was the Cadets' third in four years and narrowed Navy's lead in the series to 41-40-7.

The Middle (2-9) were hurt less than two hours before game time when starting center Matt Felt and guard Joe Breman were told they

could not play because of administrative action unrelated to football.

Army (3-6) dominated play but was unable to get a touchdown until Peterson ended a 14-play, 81-yard drive, all on the ground, with a one-yard sweep into the end zone one in the last period for a 10-0 lead.

During the drive Peterson gained 32 yards on four carries, while Mike Mayweather, who gained 119 yards in 25 carries for the day, picked up 20 on attempts.

Arkansas 38, Hawaii 20: In Honolulu, junior running back James Rouse rushed for 96 yards and three touchdowns as the Liberty Bowl-bound Razorbills scoring three touchdowns in a span of eight minutes of the fourth quarter, improved to 9-3.

Rouse's 24 carries for 96 yards gave him 1,004 for the season and made him first 1,000-yard rusher at Arkansas since Ben Cowens gained 1,006 in 1978. Rouse has 17 touch-

downs this season, for a total of 27.

Matt Bellini, above, caught two TD passes to help Brigham Young beat Colorado State, 26-24, before a crowd of 7,652 in Saturday's Melbourne Bowl. Promoters in Australia's second largest city had hoped to attract about 20,000 to Princes Park Stadium, which seats 32,000.

The Associated Press

Montana Sets Passing Record; 49ers, Redskins Gain Playoffs

Montana completed his first 17 passes, setting a National Football League record, threw for two touchdowns and ran for another Sunday afternoon as the San Francisco 49ers beat the Green Bay Packers, 23-12, and clinched their fifth straight playoff berth.

Montana threw a 57-yard touch-

down pass to Jerry Rice with 7:32 left that ensured victory.

The 17 straight completions, coupled with five straight the week before, broke the record of 20 held by Ken Anderson of Cincinnati.

Montana's two touchdown passes give him a career-high 29 for the season, while Rice has caught a scoring pass in 10 straight games, one short of NFL record.

Montana, the league's top passer, was 26 of 35 passing for 308 yards, including 22 of 26 in the first half.

The 49ers also came up with

three second-half interceptions and

a seven-yard pass at the Steelers' 19

and linebacker Bryan Hinkle re-

covered for Pittsburgh.

Others 33, Chargers 18: In House-

ton, Warren Moon, playing despite

an injured shoulder, scored one

touchdown and Robert Lyles re-

turned a fumble, one of four that

San Diego lost, 55 yards for another.

The victory put the Oilers in a tie

with Cleveland and Pittsburgh for

the AFC Central Division lead.

Moore, who did not throw a pass

until pregame warmups, scored on

a three-yard bootleg with 13:20 to

play, then departed after completing

13 of 24 passes for 186 yards.

Mike Rozier, who left the game

three times with injuries, scored on

a one-yard run in the third quarter

as the Redskins came from behind

for the second straight week.

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